

NORTHWOOD

LIQUID MANAGEMENT LP



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Form ADV Part 2A

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Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of Northwood Liquid Management LP (“Northwood Liquid” or “NLM”), a United States Securities and Exchange Commission (“SEC”) registered investment adviser. Any reference to NLM as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training. Registration solely indicates that NLM has registered its business with the SEC in the category of investment adviser. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this brochure, please contact us at (212) 468-0161 or smillham@northwoodliquid.com. Additional information about Northwood Liquid is also available on the SEC’s website at www.adviserinfo.sec.gov and at Northwood Liquid’s website at www.northwoodliquid.com.

Item 2 – Material Changes

The only material change to this brochure since it was last updated on March 26, 2020 is to Item 10, which has been revised to reflect our adoption of internal policies and procedures to restrict the flow of information between us and our affiliate, Northwood Investors.

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Item 4 – Advisory Business

- A. NLM is a Delaware limited partnership formed in April 2017 to provide investment advisory services. NLM is indirectly and principally owned by Stephen Millham, Raleigh Nuckols, and John Kukral through various entities.
- B. NLM manages portfolios that typically consist primarily of publicly traded real estate and related securities. NLM may also make investments in corporate credit, preferred securities, options, CMBS, and derivatives.
- C. NLM tailors its investment advisory services to the strategies of each of its private fund clients (the “Fund”, the “Funds”) pursuant to each Fund’s Offering Documents (defined below) and governing documents. The Funds are structured as a master-feeder complex, and consist of a master Fund and two feeder Funds. NLM generally does not, however, provide individualized investment advice to investors in the Funds (“Investors”). Nonetheless, NLM may enter into additional agreements with certain Investors (“Side Letters”) which would alter or supplement a Fund’s governing documents. NLM also provides its services to one or more separately managed accounts (“SMA”, collectively with the Funds, “Clients”). Such services are tailored to the SMA as described in their investment management agreement (“IMA”).
- D. NLM does not participate in wrap-fee programs.
- E. NLM has \$285,119,936 in discretionary assets under management as of December 31, 2019.

Investors should review not only this brochure but also the full content of the applicable Confidential Private Offering Memorandum (“CPOM”) or Confidential Explanatory Memorandum (“CEM”) (collectively “Offering Documents”) for any Fund in which they are considering investing. This brochure is intended to be a general summary of advisory services provided by NLM to its general client base. This brochure may be both supplemented and superseded by the Offering Documents for each Fund.

Item 5 – Fees and Compensation

- A. NLM generally receives a management fee and the general partner of the master Fund, Northwood Liquid Opportunities GP LLC (“NLO GP,” or the “General Partner”), receives an incentive allocation from the Funds. Fees may vary among the Funds and among share classes within each Fund. Fees applicable to the SMA are negotiated and documented in the terms of the IMA.
- B. Typically, management fees for each Fund are paid quarterly in advance based on the value of each Investor’s account as of the first day of each calendar quarter, or on the date of a contribution if other than the beginning of a quarter.

Fees and methods of collecting fees may, however, vary among Funds and among share classes within each Fund and are more fully described in the offering document for each Fund.

NLM in its sole discretion may also waive or modify the management fee for certain Investors that are members, principals, employees, or affiliates of NLM or the General Partner, relatives of such persons, and for certain large or strategic Investors.

Investors are also typically charged an incentive allocation. These incentive allocations are generally charged at the end of each fiscal year via a reallocation from the account of each Investor to the General Partner's account at an amount equal to 20% of each Investor's share of net profits, however, incentive allocation amounts may vary among Funds or share classes within each Fund. In general, incentive allocations will be subject to a loss carryforward provision.

Both the management fee and incentive allocation, as well as other terms, are more fully described in each Fund's Offering Documents.

NLM charges a management fee and an incentive allocation to the SMA as described in the IMA. Management fees are generally collected in arrears for each quarter and the incentive allocation is typically collected annually in arrears.

- C. The Funds generally bear their own operating expenses as more fully described in each Fund's Offering Documents. These expenses may include but are not limited to Fund administration, research, audit, tax, fund organizational expenses, and others. Please see the relevant Offering Documents for a more complete listing of a Fund's potential expenses.

Subject to the terms of the applicable IMA, SMAs are typically responsible for all operating expenses in connection with the management of their respective accounts.

- D. If for some reason an investment in a Fund is redeemed prior to the expiration of a period in which it has pre-paid fees, NLM would typically rebate the fees for the period of time during which the investor was not invested.
- E. At this time neither NLM nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

- A. The General Partner may receive performance-based incentive allocations, as discussed in Item 5. Please refer to Item 5 for a description of performance-based incentive allocations.
- B. Performance-based fee arrangements may vary among the clients of any adviser. This variance may be between clients, or between share classes of within a fund. Any variance in performance-based fee arrangements may create the incentive for an adviser to allocate its highest performing investments to the client from whom it receives the largest fee. Should this fee variance arise among NLM's Clients, NLM will attempt to mitigate such a potential conflict via its trade allocation policies and the testing of such policies to ensure fair and equitable trade allocations.

Item 7 – Types of Clients

At this time NLM provides investment advisory services to the Funds and one SMA.

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

INVESTMENTS IN ANY FUND MAY BE DEEMED TO BE HIGHLY SPECULATIVE INVESTMENTS AND ARE NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. AN INVESTMENT IN ANY FUND IS DESIGNED ONLY FOR SOPHISTICATED PERSONS WHO CAN BEAR THE ECONOMIC RISK OF THE LOSS OF THEIR ENTIRE INVESTMENT AND WHO HAVE A LIMITED NEED FOR LIQUIDITY IN THEIR INVESTMENT IN THE FUND. THERE CAN BE NO ASSURANCE THAT NLM WILL ACHIEVE ITS INVESTMENT OBJECTIVE ON BEHALF OF ANY CLIENT, INCLUDING ANY FUND.

- A. NLM will use fundamental, bottom-up analysis to identify what it considers to be undervalued or overvalued investment opportunities and to capture fundamental valuation disparities in the market for publicly traded real estate related assets on behalf of Clients.

NLM believes that over 80% of real estate in the United States is owned in the private market, and the private market correspondingly sets real estate values. Securities in the public markets may exhibit greater volatility than the underlying private market real estate values. The long track record of NLM personnel in both the private and public real estate related opportunities gives NLM a great deal of expertise in identifying, underwriting, and monitoring public real estate related investments. NLM believes that investing via a long/short opportunistic structure is an underpenetrated strategy in this niche sector.

The objective of NLM is to seek to achieve value for Clients by taking long and short positions in a portfolio that consists primarily of publicly traded real estate and related securities. NLM will generally invest in public equities on behalf of Clients, however, NLM may also make investments in corporate credit, preferred securities, options, CMBS, derivatives, and any securities that have a significant exposure to real estate.

NLM is affiliated with Northwood Investors LLC (“Northwood Investors”), a real estate private equity firm with \$7.4 billion in assets under management founded in 2006 by John Kukral, who led Blackstone’s real estate group from 1994 to 2005. As part of this affiliation, Stephen Millham and Raleigh Nuckols will manage NLM’s portfolio but will also utilize the resources of and have access to the infrastructure and various other support of Northwood Investors.

While it is anticipated that NLM will invest primarily in equities, equity-related securities, and debt securities on behalf of Clients, NLM generally holds broad and flexible investment authority. Accordingly, investments made for Clients may at any time include, without limitation, long or short positions in U.S. or non-U.S. publicly-traded or privately issued common stocks, preferred stocks, stock warrants and rights, convertible securities, restricted securities, futures, swaps (including credit default swaps and total rate of return swaps), “custom baskets,” options (purchased or written), bonds and other fixed income securities, partnership interests and other securities or financial instruments including those of investment companies. NLM may also purchase put and call options, write uncovered put and

call options and invest in bonds or other fixed income securities on behalf of Clients, when deemed appropriate. In addition, NLM may invest in spot foreign exchange, foreign exchange deliverable and non-deliverable forward contracts, commodity investments, derivatives, and other “over-the-counter” instruments on behalf of Clients.

NLM may also invest in New Issues on behalf of Clients, provided that the Client first complies with all of the rules and regulations pertaining to such investments, including the FINRA Rules.

- B.** The following risks should be carefully evaluated before making an investment in any Fund. These risk factors may be supplemented and or superseded by each Fund’s Offering Documents. Potential Investors are reminded to review the applicable Fund’s Offering Documents prior to investing.

Risk Factors

An investment in a Fund involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investments, and who have met the conditions set forth in the offering document for any Fund in which they plan to invest. There can be no assurances that NLM will achieve its investment objectives for Clients. An investment managed by NLM carries with it the inherent risks associated with investments in equities, equity-related securities, debt, the use of short sales, and leverage.

Nature of Investments

NLM typically has broad discretion to make investments for Clients. Investments will generally consist of equities; equity-related securities; debt securities; options; commodity instruments and derivatives; and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that NLM will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of NLM’s activities and the value of its investments. In addition, the value of each Fund’s portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that NLM’s investment objective will be achieved.

Equity-Related Instruments in General

NLM may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk, and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

Debt Securities

NLM may take positions in debt securities for Clients which (may or may not) rank junior to other outstanding securities and obligations of an issuer, all or a significant portion of which may be secured on substantially all of an issuer’s assets. NLM may take positions in debt securities which are not protected by financial covenants or limitations on additional

indebtedness. NLM may invest in securities which are moral obligations of issuers or subject to appropriations. NLM will therefore be subject to credit and liquidity risks.

Credit Risks and Interest Rate Risks

Debt investments are subject to credit and interest rate risks. Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Interest rate risk refers to the risks associated with market changes in interest rates. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Real Estate Industry and REIT Risks

On behalf of Clients, NLM will invest primarily in securities with a connection to the real estate industry and, therefore, may be subject to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, increased competition, and other risks related to local or general economic conditions, increased in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent, and fluctuations in rental income. Equity real estate investment trusts ("REITs") generally experience these risks directly through fee or leasehold interests, whereas mortgage REITs generally experience these risks indirectly through mortgage interests, unless the mortgage REIT forecloses on the underlying real estate.

REITs in which NLM invests on behalf of Clients may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that REITs in which NLM invests may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of NLM's investments for clients to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by such mortgage REITs. In addition, mortgage REITs may be affected by the ability of borrowers to repay when due the debt extended by the REIT, and equity REITs may be affected by the ability of tenants to pay rent.

Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors. REITs and real estate in general currently enjoy a favorable tax status, which may change in the future.

Commercial Mortgage-Backed Securities

NLM may invest in commercial mortgage-backed securities ("CMBS") on behalf of Clients. Commercial mortgage loans underlying CMBS are generally secured by income-producing property, such as multifamily housing or commercial property, and may entail risks of delinquency and foreclosure, and risk of loss in the event thereof, that are greater than similar risks associated with loans secured by one- to four-family residential property. If the net operating income of the property underlying the CMBS is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan may be impaired. CMBS may be backed by an underlying mortgage pool of only a few mortgage loans, or mortgage loans secured by properties in only a few states or regions. As a result, each commercial mortgage loan in the underlying mortgage pool represents a large percentage of the principal amount of CMBS backed by such underlying mortgage pool. In addition, the mortgage loans may be more susceptible to geographic risks relating to the areas in which the underlying properties are located. A failure in performance of any one commercial mortgage loan in the underlying mortgage pool will have a much greater impact on the performance of the related CMBS.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Additionally, the premium paid for an option is based, in part, on the time to expiration, and with the passage of time, the premium associated with an option declines, assuming all other factors being equal. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Use of Leverage

NLM may utilize leverage. This may result in a Client controlling substantially more assets than such Client has equity. Leverage may increase a Client's returns if the Client earns a greater return on investments purchased with borrowed funds than such Client's cost of borrowing such funds. However, the use of leverage exposes a Client to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds such Client's cost of borrowing such funds. In the event of a sudden, precipitous drop in the value

of a Client's assets, such Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, NLM may find it difficult or impossible to obtain leverage for Clients. In such event, NLM could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in NLM being forced to unwind a Client's positions quickly and at prices below what NLM deems to be fair value for such positions.

Hedging Transactions

Clients may utilize a variety of financial instruments such as derivatives, options, swaps, caps and floors, and forward contracts for both risk management and general investment and speculation purposes. With respect to NLM's risk management and hedging transactions for Clients, there can be no assurance that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while NLM may enter into hedging transactions on behalf of Clients to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for a Client than if it did not engage in any such hedging transactions. In addition, NLM may choose not to enter into hedging transactions on behalf of Clients with respect to some or all of its positions.

Portfolio Turnover

NLM's investment strategy of may require NLM to actively trade Client portfolios, and as a result, turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size.

Non-Diversification

While each Client's portfolio generally will contain a number of both long and short positions, Clients will be invested primarily in a relatively concentrated portfolio of equity securities focused on the real estate sector. NLM anticipates that Clients will primarily invest in the equity securities of issuers located in the United States, Europe and other fully-developed economies (as judged by NLM). A Client's portfolio could also become relatively concentrated in any one issuer, market capitalization, industry, type of security and geographic area; and such concentration may increase the losses suffered by a Client as the investment portfolio of such Client may be subject to more rapid change in value than would be the case if NLM were required to maintain a wider diversification among issuers, market capitalizations, industries, types of securities, and geographic areas, on behalf of such Client.

Non-U.S. Securities

NLM may invest outside of the United States on behalf of Clients. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilizations of options and swaps on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations; political and social instability; expropriation; imposition of foreign taxes; less liquid markets; and less available information than is generally the case in the United States; higher transaction costs; less government supervision of exchanges, brokers and issuers; greater risks associated with

counterparties and settlement; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards; and greater price volatility.

Counterparty Risk

To the extent that a Client invests in swaps, “synthetic” or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, such Client takes the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Commodity and Futures Contracts

Although NLM does not anticipate doing so, NLM may invest in commodity or futures contracts on behalf of Clients. It is expected that any such investments in commodities or futures contracts will be solely for hedging purposes. Trading in commodity and futures contracts and options thereon are highly specialized activities which while they may increase a Client’s total return, but may entail greater than ordinary investment risks.

Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events, and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day’s trading beyond certain set limits. If prices fluctuate during a single day’s trading beyond those limits, NLM could be prevented from promptly liquidating unfavorable positions and thus subject to substantial losses.

Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Derivatives

To the extent that NLM invests in swaps, derivative or synthetic instruments, or enters into repurchase agreements or other over-the-counter transactions on behalf of Clients, NLM may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, more frequent mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties

generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of NLM, and hence NLM should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Currency Risks

Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation, and political developments. NLM may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.

Credit Default Swap Agreements

NLM may utilize credit default swaps on behalf of Clients. The buyer of a credit default contract is obligated to pay the seller either a lump sum payment or a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Generally, a credit event means bankruptcy, failure to pay, cross default/acceleration, obligation acceleration, repudiation/moratorium, restructuring, or rating decline. A Client may be either the buyer or seller in a transaction. If a Client is the buyer and no credit event occurs, such Client will have made fixed payments and received nothing. However, if a credit event occurs, the Client, as a buyer, typically will receive either (i) full notional value in exchange for delivery by the buyer of a reference obligation that may have little or no value, or (ii) a payment representing the decline in value of such reference obligation following such credit event without any delivery of the reference obligation by the buyer. As a seller, a Client generally receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation which may have little or no value.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. Swap contracts are not traded on exchanges and are not otherwise regulated, and as a consequence, investors in such contracts do not benefit from regulatory protections. The selling of credit default swaps involves greater risks than if a Client had invested in the reference obligation directly. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and it is at risk if deliverable security is unavailable or illiquid.

Total Rate of Return Swaps

Under a total rate of return swap, a Client may be obligated to make certain periodic payments in exchange for the total rate of return on a referenced asset, such as an eligible loan or bond, and such return will include interest and the gain or loss on such asset over the term of the swap. Swap facilities often require covenants or qualifications related to referenced assets, including, but not limited to, covenants or qualifications regarding ratings and liquidity of a referenced asset or the diversification of a portfolio as a whole. A Client may be required to maintain collateral with the total rate of return swap counterparty. If such Client fails to fulfill its payment obligations or fails to post any required collateral under a total rate of return swap or if such Client has a substantial decline in net asset value, the counterparty may declare an event of default and, as a result, such Client may be required to pay swap breakage fees, suffer the loss of the amounts paid to the counterparty and forego the receipt from the counterparty of further total return swap payments.

Cyber Security Breaches and Identity Theft

NLM's 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 its professionals; power outages; and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although NLM has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, NLM, and/or its Clients 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 NLM's and/or a Client'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 such investors). Such a failure could harm NLM's, and/or a Client's reputation, subject any such entity and their respective affiliates to legal claims, and otherwise affect their business and financial performance.

Master-Feeder Fund Structure

The Funds typically invest through a "master-feeder" structure. The feeder funds contribute substantially all of their assets to the master Fund. The master-feeder structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in a master Fund may be materially affected by the actions of larger investment vehicles investing in the master Fund. For example, if a larger investment vehicle withdraws from a master Fund, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Similarly, a master Fund may become less diverse due to a redemption by a larger investment vehicle, resulting in increased portfolio risk.

Brokerage and Custodial Risk

There are risks involved in dealing with the custodians or prime brokers who settle Client trades for NLM. NLM maintains a custody account with its prime brokers and primary custodians on behalf of Clients. Although the General Partner monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers, or any other custodian that a Fund may use from time to time, will not become bankrupt or

insolvent. While both the U.S. Bankruptcy code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, Clients would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

NLM and/or the prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of Clients. The prime brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by Clients as a result of the bankruptcy or insolvency of any such sub-custodian. Clients may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a Fund by a custodian may not be available to NLM. Under certain circumstances, including certain transactions where Client assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime brokers, or where Client assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of such Client and such Client could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped, and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of NLM to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as NLM may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or timing problems associated with enforcing NLM's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Lack of Liquidity of Partnership Investments

While NLM expects the majority of a Client's portfolio to be liquid, Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments. Further, due to NLM's affiliation with Northwood Investors, NLM may be prohibited from transacting in the securities of certain issuers from time to time.

Limited Withdrawal and Transfer Rights

An Investor generally will be permitted to withdraw all or any part of its account only in accordance with the terms described in the applicable Offering Documents. Transfers of the interests will be permitted only with the written consent of the General Partner. Accordingly, the interests should only be acquired by Investors willing and able to commit their funds for an appreciable period of time.

Side Letters

NLM may in the future enter into Side Letters with certain prospective or existing Investors. Pursuant to these agreements, those Investors may be subject to terms and conditions that

are more advantageous than those set forth in the applicable Offering Documents. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or SMAs; special withdrawal rights, relating to frequency or notice; a reduction or rebate in management fees or incentive allocations to be paid by the Investor and/or other terms; rights to receive reports from NLM on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by NLM and Investors. The modifications are solely at the discretion of NLM and may, among other things, be based on the size of the Investor's investment in the Fund or affiliated investment entity, an agreement by an Investor to maintain such investment for a significant period of time or other similar commitment by an Investor, or status granted to founding or strategic Investors.

Incentive Allocation

The allocation of a percentage each Fund's net profits are ultimately allocated to NLM and its principals may create an incentive for NLM to make investments that are riskier or more speculative than would be the case if this allocation were not made. Since the allocation is calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

No Operating History

NLM and the Funds are newly formed entities and as such have no operating history upon which investors can evaluate their likely performance. Accordingly, an investment in a Fund entails a significant degree of risk.

Reliance on Messrs. Millham and Nuckols

NLM relies heavily on the services of Stephen Millham and Raleigh Nuckols. Messrs. Millham and Nuckols are responsible for the investment decisions made with respect to Clients. Should Messrs. Millham and Nuckols determine to discontinue managing the affairs of, or withdraw from, NLM or should Messrs. Millham and Nuckols die, become incapacitated, or, for some other reason, be unable to effectively manage the affairs of NLM, the business and results of the operations of NLM may be adversely affected.

Business and Regulatory Risks of Hedge Funds

The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by Clients and the ability of NLM to obtain the leverage it might otherwise obtain or to pursue its trading strategies for Clients. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory or technological change on NLM and Clients could be substantial and adverse.

Non-Disclosure of Positions

In an effort to protect the confidentiality of its positions, NLM generally will not disclose its positions to Investors on an ongoing basis except as detailed in the monthly position summaries and risk reports, although NLM, in its sole discretion, may permit such disclosure on a select basis to certain Investors.

Potential Conflicts of Interest

The employees, officers, and directors of NLM and will devote as much of their time and effort to the affairs of NLM as may be necessary to accomplish the purposes of NLM. However, employees, officers, directors, members, partners, shareholders, agents, and affiliates may conduct any other business, including any business within or outside the securities industry, whether or not such business is in competition with NLM.

Each Fund's Offering Documents detail the terms of expenses that will be borne by each Fund. Agreements with any SMA counterparty may also contain similar expense provisions. NLM will be responsible for the administration of these expenses and will be responsible for allocating appropriate portions of certain shared expenses.

The determination as to the method or methods used may be based on relative use of the product or service, the nature or source of the product or service, the relative benefits derived by NLM and Clients from the product or service, or other relevant factors. Clients should note that despite the efforts of NLM to arrange for fair and equitable expense allocations, expense allocations often depend on inherently subjective determinations.

Additionally, one of the key responsibilities for an investment adviser involves trade allocations among Clients. While NLM will maintain a fair and equitable trade allocation policy, it should be noted that odd lots and complex market dynamics in the market for real estate related investments pursued by NLM may make it difficult to allocate trades pro rata among Clients. Therefore, Clients should expect that despite NLM's good faith efforts to pursue fair and equitable trade allocations, discrepancies in the value of trades conducted in the same instruments for different Clients may occur from time to time.

Clients should also note that the prime brokers and the administrator each act as custodian, administrator, and directors for other funds and thus may have conflicts from time to time.

Additionally, section 10 C. below describes the relationship between NLM and Northwood Investors in detail. This relationship may pose certain potential conflicts that should be reviewed by each potential Investor and each potential SMA in detail prior to investing.

Item 9 – Disciplinary Information

NLM has no disciplinary information to disclose.

Item 10 – Other Financial Industry Activities or Affiliations

- A. Neither NLM nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

- B.** Neither NLM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the foregoing entities. However, NLM may operate as an exempt commodity pool operator and/or commodity trading advisor.
- C.** NLM is affiliated with Northwood Investors and intends to utilize its resources. John Kukral, the President and Chief Executive Officer of Northwood Investors currently serves on the Operating Committee.

While Northwood Investors does not typically invest in public securities it does have the ability to do so and may compete with NLM for such opportunities. Further, in the course of its activities, Northwood Investors will from time to time come into possession of material nonpublic information regarding publicly-traded issuers ("Inside Information"). Given the close affiliation between NLM and Northwood Investors, NLM and Northwood Investors have adopted policies and procedures intended to prevent flow of Inside Information between NLM and Northwood Investors. Nevertheless, despite these efforts, it is possible that this relationship between NLM and Northwood Investors and this policy will result in occasional transaction prohibitions for Clients of NLM that result not from the activities of NLM, but from the activities of Northwood Investors.

Potential Clients and Investors should be aware that this policy and these restrictions may mean that certain opportunities to invest that may otherwise be appropriate for NLM and its Clients would need to be foregone in order to ensure that no trading occurs that would violate the policy or cause potential concern with respect to U.S. insider trading restrictions or potential fraud. Clients should be apprised as to this potential conflict of interest prior to investing.

NLM, from time to time, may offer co-investment opportunities alongside Clients. Co-investment opportunities may be made available through limited partnerships, limited liability companies, or other entities formed to make such investments. NLM and its affiliates may earn different asset-based fees and/or performance-based compensation (which may or may not be different than the fees and/or compensation charged by NLM) in connection with such co-investments than what is earned with respect to NLM. These co-investment opportunities may create the potential for conflicts of interest. NLM will attempt to mitigate such potential conflicts via its trade allocation policy and testing.

- D.** NLM does not recommend or select other investment advisers for Clients.

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

- A.** Pursuant to Rule 204A-1 of the Advisers Act, NLM has adopted a written code of ethics ("Code of Ethics") that sets forth standards of conduct expected of employees and addresses conflicts that can arise from personal trading. NLM's Code of Ethics describes NLM's fiduciary duties and responsibilities to Investors, and sets forth NLM's practice of supervising the personal securities transactions of its employees. The Code of Ethics requires all employees to place

Client interests ahead of NLM's interests and their own interests and to maintain full compliance with any applicable federal and state securities laws governing registered investment advisory practices.

NLM will provide a complete copy of its Code of Ethics to any Client, prospective Client, Investor, or prospective Investor upon request made to the Chief Compliance Officer at NLM's principal address.

- B.** NLM's employees may not buy or sell any security held by any Fund, any single name public traded security, any debt owned by the Fund, or any real estate debt or real estate equity that is publicly traded or even on a secondary market while employed by NLM.

NLM will provide a complete copy of its Code of Ethics to Client, prospective Client, Investor, or prospective Investor upon request made to the Chief Compliance Officer at NLM's principal address.

- C.** See B above

- D.** See B above

Item 12 – Brokerage Practices

- A.** NLM is typically authorized to determine the broker or dealer to be used for each securities transaction for Clients. In selecting brokers or dealers to execute transactions, NLM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not NLM's practice to negotiate "execution only" commission rates, thus NLM may be deemed to be paying for research, brokerage, or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" that permits an investment adviser to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance to the investment decision-making process. Except for services that would be a Fund expense, NLM will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). The use of commissions arising from a Fund's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, NLM may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, NLM will make a good faith effort to determine the relative proportion of the product or service used to assist NLM in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting NLM in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion

attributable to administrative or other purposes outside Section 28(e) will be paid for by NLM from its own resources.

Research and brokerage services obtained by the use of commissions arising from Client portfolio transactions may be used by NLM in its other investment activities and thus, a Client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although NLM will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services create a potential conflict of interest between NLM and Clients.

In selecting brokers and negotiating commission rates, NLM will take into account the financial stability and reputation of brokerage firms, and the research, brokerage, or other services provided by such brokers. NLM may place transactions with a broker or dealer that (i) provides NLM (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers Investors to NLM or other products advised by NLM (or an affiliate), if otherwise consistent with seeking best execution; provided that NLM is not selecting the broker-dealer as remuneration for the opportunity to participate in such capital introduction events or the referral of Investors.

When appropriate, NLM may, but is not required to, aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

NLM may maintain accounts with the prime brokers and or executing brokers, through which NLM may execute trades, borrow securities, and maintain custody of its securities.

NLM reserves the right to change the brokerage and custodial arrangements described above.

- B.** When it would be beneficial to clients NLM may aggregate purchase or sale orders for Clients and allocate based on a fair and equitable methodology that may include allocation by capital or allocation by other fair and equitable means as deemed appropriate by NLM.

Item 13 – Review of Accounts

- A.** NLM portfolio managers have daily access to trades and positions for Clients and review accounts daily. Additionally, NLM reviews clearing and settlement activity daily. NLM provides a daily transaction report to the administrator of the SMA, which includes complete same-day trading activity.

B. N/A

C. Investors receive monthly reports from their respective Fund administrator. SMAs may receive their statements directly from their custodian.

Item 14 – Client Referrals and Other Compensation

A. NLM does not receive any economic benefit from anyone other than Clients for providing investment advice or other advisory services.

B. N/A

Item 15 – Custody

NLM and its affiliates may have custody of each Fund's funds or securities. NLM will ensure compliance with the custody rule for each of the Funds by ensuring that Investors receive an audit within 120 days of each calendar year end that funds and securities belonging to the Funds are held by qualified custodians. NLM does not have custody of the SMA's assets.

Item 16 – Investment Discretion

Investment advice is provided directly to the Funds on a discretionary basis, subject to the direction and control of each Fund's General Partner, and not to individual Investors.

Investment advisory services are provided to the Funds in accordance with the Governing Documents of each Fund. NLM may exercise this discretion to determine what securities to trade on behalf of the Funds. This discretion includes but is not limited to discretion over the amount and timing of transactions securities as well as the choice of executing brokers for such transactions. All limitations and restrictions placed upon an Investor's investment, such as a Side Letter, must be presented to NLM and agreed to in writing by NLM and such Investor.

NLM also exercises investment discretion over the SMA subject to the limitations in the IMA.

Item 17 – Voting Client Securities

A. NLM votes proxies for Clients in accordance with its fiduciary duties to Clients. NLM will generally seek to vote proxies in a way that attempts to maximize the value of Clients' assets, subject to any NLM specific proxy voting instructions and restrictions mandated by Clients. The Chief Compliance Officer supervises NLM's voting process and ensures that NLM complies with all proxy voting rules and recordkeeping requirements under applicable rules.

NLM may utilize a technology solution automating meeting notifications, voting, tracking, mailing, reporting and record maintenance of the proxy voting process for Clients compatible with the platform. Absent specific Client instructions on the voting of proxies, NLM's default position is to vote proxies with management recommendations. However, there may be instances in which NLM and its personnel believe that management's recommendation is not in the best interests of Clients. In those instances, NLM may vote against management's recommendation.

For Clients with international custodians that cannot engage with the technology solution, NLM will consult the Client to determine how best to handle the voting of proxies.

Clients and Investors may obtain a copy of NLM's proxy voting policies and procedures upon request.

The Chief Compliance Officer will be responsible for mitigating potential conflicts of interest in voting proxies as the reviewer. The Chief Compliance Officer will also maintain a proxy voting log available to Clients and Investors upon request.

B. N/A

Item 18 – Financial Information

A. NLM does not require or solicit payment of more than \$1,200 in fees per Client, six months or more in advance.

B. Not applicable to NLM.

C. NLM has not been the subject of a bankruptcy petition at any time in the past ten years.