

## **FIRM BROCHURE**

### **TXRE ADVISERS, LLC**

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**This brochure provides information about the qualifications and business practices of TXRE Advisers, LLC. If you have any questions about the information contained in this brochure, please contact us at (972) 201-2841. 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.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of governing documents that contain a description of the material terms relating to such investments, products or services.**

**Additional information about TXRE Advisers, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 31, 2021

## Item 2: Material Changes

The date of the last annual updating amendment to our firm brochure was March 30, 2020. A summary of certain of the material changes made to our firm brochure since the date of our last annual updating amendment is set forth below:

- We updated our regulatory assets under management as of December 31, 2020. **See Item 4.**
- We no longer provide investment advisory services to US Industrial Fund II, LP, US Industrial Fund II REIT Inc. or USIF 2 Companion Fund, LP. Accordingly, references to such funds have been removed throughout the brochure. We began providing investment management, advisory and other services to Employee Vehicles, and expect to provide investment advisory and other services to additional Employee Vehicles in the future. A summary of, and other disclosures regarding, matters applicable such entity are set forth in **Items 4, 5, 7, 8, 10, 11, 13, 15 and 16.**
- With respect to our and our affiliates management and other services to Employee Vehicles, we updated various disclosures regarding fund expenses consistent with language in their governing documents. **See Item 5.**
- We provided additional disclosures regarding the allocation of investment opportunities and conflicts of interest set forth in **Items 6, 10 and 11.**
- We made various additions, revisions and updates to the risk factor disclosures set forth in **Item 8.**
- We added disclosures regarding the allocation of investment opportunities with respect to the Funds and our other clients, including more detailed disclosures regarding the types of investment opportunities that are or may not be required to be offered or made available to the Funds. **See Item 11.**

*The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.*

*We encourage all clients and investors to carefully review this document in its entirety.*

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## Item 4: Advisory Business

### FIRM DESCRIPTION AND OVERVIEW

TXRE Advisers, LLC, a Delaware limited liability company and private investment management firm (“TXRE,” “we,” “our,” or “us”), was formed in 2011. We provide and/or perform Investment Advisory Services (as defined below) to various affiliated pooled investment vehicles and other entities that invest, directly or indirectly, in real estate and real estate-related investments. As used herein, “Investment Advisory Services” means investment advice as to the value of securities or the advisability of investing in, purchasing or selling securities or any other services, activities or functions that would, absent an exclusion or exemption, cause a person to be an “investment adviser” within the meaning of Section 202(a)(11) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Certain of our affiliates provide investment management, administrative, property management and other services with respect to our clients and/or their real estate investments.

We do not act as general partner or managing member with respect to any of our clients. Instead, we supervise, oversee and control any and all Investment Advisory Services provided with respect to our clients, and certain of our affiliates (including the general partners, managing members and investment managers of the Funds) rely on our investment adviser registration instead of separately registering as investment advisers with the Securities and Exchange Commission (the “SEC”) under the Advisers Act. **See Item 10.** Except as the context otherwise requires, any reference to “we,” “us” or “our” in this document includes TXRE Advisers, LLC and any affiliates relying on our registration.

### PRINCIPAL OWNERS

The sole member of TXRE Advisers, LLC is Hillwood Development Company, LLC, whose sole member is Hillwood Development Group, L.P. Perot Investment Trust I ultimately owns over 25% of the limited partnership interests of Hillwood Development Group, L.P. For more information regarding our executive officers and ownership, please refer to Schedules A and B of Part 1 of Form ADV. For information relating to the executive officers and ownership of each adviser relying on our registration, please refer to Schedule R of Part 1 of Form ADV with respect to such affiliate.

### TYPES OF ADVISORY SERVICES

We currently provide and/or perform Investment Advisory Services with respect to US Industrial Club IV, LP, a Delaware limited partnership (“Club IV”) and US Industrial Club V, LP, a Delaware limited partnership (“Club V” and, together with Club IV, the “US Funds”), HE Investments SICAV-FIS, an investment company with variable capital – specialized investment fund incorporated as a partnership limited by shares under the laws of the Grand Duchy of Luxembourg (the “Europe Fund I”), EU Project, LLC, a Delaware limited liability company (“EU Project”), EU Industrial Club II SCS, a Luxembourg common limited partnership (“EU Club II”), EU Industrial Club III SCS, a Luxembourg common limited partnership (“EU Club III” and, together with EU Club II and Europe Fund I, the “EU Clubs”), EU Industrial Club II UK AIV SCS, a Luxembourg special limited partnership (“EU Club UK”), and UK Industrial Club II SCS, a Luxembourg special limited partnership (“UK Club II” and, together with EU Club UK, the “UK Clubs” and, together with the EU Clubs, the “European Funds”). The US Funds, the European Funds and EU Project may be collectively referred to herein as the “Funds”, and each, a “Fund”. We monitor, supervise, oversee and control any and all Investment Advisory Services provided with respect to the Funds. We provide and/or perform Investment Advisory Services with respect to one or more pooled investment vehicles managed, established and/or sponsored by us or an affiliate with respect to investments in investment entities and projects that are managed, controlled, established, sponsored and/or advised by us and/or our affiliates (the “Employee Vehicles”). The investors in such Employee Vehicles are or will be limited to our officers, employees and personnel. In addition, we perform and/or provide certain Investment Advisory Services to various joint ventures or special purpose investment vehicles that have one or more third party partners (“SPVs” and, together with the Funds and Employee Vehicles, our “clients”). The third-party investors in SPVs typically are more actively involved in reviewing and approving investments and related expenses than investors in our commingled funds. As noted in Schedule D – Miscellaneous of Part 1A of Form ADV, we generally do not provide “continuous and regular supervisory or management services” with respect to such SPVs. Certain SPVs, Employee Vehicles and other clients may directly or indirectly invest in, or acquire interests in, one or more Funds, other clients and/or other entities or ventures managed or controlled by us and our affiliates.

We provide Investment Advisory Services to clients with respect to real estate and real estate-related investments (either directly or indirectly through one or more real estate investment trusts, limited partnerships, limited liability

companies and/or other special purpose vehicles). Our Investment Advisory Services are provided in accordance with the investment objectives, policies and guidelines set forth in the applicable disclosure and governing documents. **See Item 8 below.**

As noted above, certain of our affiliates provide and may in the future provide investment management, administrative and other services with respect to clients and their investments, including development services, property management services, leasing services, general contractor services, lending, financial advisory, engineering, consulting, or investment research, administrative services and other services necessary for the acquisition, management, operation, financing, improvement, leasing and disposition of investments.

We and/or our affiliates may provide and/or perform Investment Advisory Services and other services with respect to one or more additional clients in the future, including, but not limited to, additional affiliated pooled investment vehicles, special purpose vehicles, joint ventures or entities and separately managed accounts of institutional clients.

### **INVESTMENT RESTRICTIONS**

We generally provide and/or perform Investment Advisory Services with respect to each client in accordance with the investment objectives, policies, guidelines, limitations and restrictions set forth in the applicable management and/or offering or governing documents. Any investment restrictions with respect to a client typically are memorialized in the applicable governing and offering documents. We provide and perform Investment Advisory Services solely with respect to the Funds, SPVs and other clients, and no investor in any such Fund, SPV or other client should look to us or our affiliates for advice regarding any of its own investment decisions, including any decision to invest in a Fund or SPV or client. We generally treat the Funds, SPVs and other clients, and not any of their investors, as our “clients” for purposes of the Advisers Act and other applicable laws and regulations, to the extent permitted under such laws.

Certain of the Funds and their general partners or controlling persons have entered into, and may from time to time in the future enter into, side letter agreements or other similar agreements or arrangements (commonly referred to as “side letters”) with certain investors in such Fund that have the effect of establishing rights or terms and/or otherwise benefitting such investors in a manner that is more favorable in various material respects than the rights and benefits established in favor of other investors pursuant to the applicable governing documents. Such rights or benefits in any side letter or similar agreement may include, without limitation, (i) investment capacity rights, (ii) fees and/or carried interest reductions or waivers, (iii) reporting obligations of the applicable general partner, manager or us and/or preferential information rights, (iv) waiver of certain confidentiality obligations, (v) consent of the general partner to certain transfers by such investor, or (vi) rights or terms necessary or advisable in light of particular legal, regulatory or public policy considerations of an investor. Certain investors that have the benefit of “most favored nation” protection are given the opportunity to elect the rights and terms in any side letter or other similar agreement that are applicable to such investors.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2020, we had approximately \$3,043,881,327 in regulatory assets under management (as reflected in Item 5.F.(2) of Part 1A of our Form ADV). All of these assets were managed on a discretionary basis (either directly or indirectly). For purposes of calculating our regulatory assets under management, we have only included the assets of a subset of our clients for which we provided or may be deemed to have provided “continuous or regular supervisory or management services” with respect to “securities portfolios” (as such terms and concepts are described and defined in the instructions to Part 1 of Form ADV) as of December 31, 2020. Accordingly, only the assets of the US Funds, the European Funds and EU Project as of December 31, 2020, are included and reflected in the “regulatory assets under management” number set forth above and in Part 1 of Form ADV. We have excluded the assets and commitments of the European Funds that are attributable to EU Project and the assets and commitments of Club V that are attributable to an Employee Vehicle in order to avoid double counting.

As of December 31, 2020, certain of the US Funds and the European Funds intend to rely upon and qualify for, to the extent applicable, the exclusions from the definition of “investment company” set forth in Sections 3(c)(1), 3(c)(7), 3(c)(5)(C) and/or 3(c)(6) of the Investment Company Act of 1940, as amended (the “Company Act”). Those Funds that qualify for and rely upon one or more exclusions from registration under the Company Act other than (and in addition to) Section 3(c)(7) and Section 3(c)(1), do not currently constitute “private funds” for purposes of the Advisers Act, Form ADV or Form PF.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our Investment Advisory Services, we and/or certain of our affiliates generally are or may be entitled to receive management fees and incentive distributions with respect to our clients. In addition, our affiliates generally are or may be entitled to receive other types of compensation or fees from or with respect to our clients or their investments including, without limitation, property management fees, development fees, construction management fees, real estate and leasing fees and general contractor fees. While applicable fees and other compensation are described in detail in the applicable governing or offering documents and/or service agreements, a general overview of such fees and compensation is set forth below. The following summary is qualified in its entirety by the applicable governing and offering documents of each applicable Fund, SPV, or Employee Vehicle.

**Management fees.** With respect to the US Funds and the European Funds, we (or one or more of our affiliates) generally are entitled to receive, on the first day of each calendar quarter in advance (or at such other times set forth in the applicable governing agreement), an investment management fee equal to a percentage of each investor's net equity invested or aggregate capital commitment. The management fee percentage with respect to each investor generally is subject to negotiation and may be forth in a separate agreement (such as a side letter) between the applicable Fund and such investor.

Notwithstanding the foregoing, the management fees with respect to the US Funds and the European Funds generally are reduced and offset by the amount (i) by which the formation or restructuring expenses exceed a certain amount set forth in the governing document and (ii) of any fees paid by the applicable Fund and/or its subsidiaries to our affiliates with respect to any "affiliate in-house services" (i.e., services which would otherwise be provided by third parties, including lending, financial advisory, engineering, consulting or investment research) provided by such affiliate. In addition, with respect to certain Funds, the management fees may be further reduced and offset by the amount of any breakup fees, director's fees, advisory fees, acquisition and disposition fees, monitoring fees, and similar types of special transaction fees (excluding the fees further outlined below). Any management fee offset generally is applied to reduce the management fee to be made in the immediately succeeding fiscal quarter, but not below zero; *provided* that if the aggregate amount of management offsets during any fiscal quarter exceed the management fee owed for such fiscal quarter, then such excess will be carried forward and reduce the management fee to be made for the next fiscal quarter. The management fee offset is applied proportionately among investors based on their relative capital commitments. Notwithstanding the foregoing, development fees, property management fees, construction management fees, real estate and leasing fees and general construction fees (as described below) (and any other fees or compensation specifically authorized pursuant to governing documents of a Fund) are paid to, and received by, our affiliate and generally will not reduce or offset the management fees.

EU Project, Employee Vehicles and the SPVs currently do not pay, and are not subject to, any direct management fees (or similar asset-based fees) payable to us or any of our affiliates.

**Incentive Distributions.** Subject to the terms and conditions set forth in the applicable governing documents, certain of our affiliates (including general partner entities) generally are entitled to receive an incentive distribution or other performance-based compensation in respect of each unaffiliated investor in the US Funds and the European Funds that is generally up to 20% of each such investor's profit from each portfolio investment made by such Fund and its subsidiaries, subject to (i) the satisfaction of a preferred internal rate of return, compounded annually, and (ii) recoupment of prior net losses, expenses and fees by such investor in such Fund. Incentive distributions are subject to clawback from the applicable general partner or other affiliate under certain circumstances, as described below.

If, upon liquidation of a Fund and after making all distributions required under the applicable governing documents, its general partner or other affiliate has received incentive distributions in respect of an investor (plus any tax distributions in respect thereof) in excess of the "promote amount" with respect to such investor, or such investor has not received aggregate distributions pursuant to the governing documents sufficient to provide such investor with the applicable cumulative internal rate of return (the "IRR Shortfall Amount"), then the general partner or other affiliate will be required to contribute to the capital of such Fund for distribution to such investor an amount equal to the greater of (i) the excess of the aggregate incentive distributions in respect of such investor and tax distributions in respect of such investor received by the general partner or affiliate over the promote amount in respect of such investor, and (ii) the IRR Shortfall Amount.

We may reduce or eliminate incentive distributions with respect to investors that are affiliated with or employed by us.

EU Project pays an incentive fee to our affiliate. Employee Vehicles and certain of the SPVs currently do not pay, and are not subject to, any direct incentive or other performance-based fees or allocations payable to us or our affiliates.

**Development Fees.** In connection with each portfolio investment, a Fund or a subsidiary thereof may enter into a transaction services agreement with one or more of our affiliates, pursuant to which the Fund or the applicable subsidiary thereof generally will pay a development fee equal to four percent (4.0%) (or such lesser or greater percentage or amount set forth in the applicable governing documents) of the development costs of such portfolio investment.

**Property Management Fees.** In connection with each portfolio investment, a Fund or a subsidiary thereof may enter into a property management agreement with one of our affiliates, pursuant to which our affiliate will provide various property management services with respect to such portfolio investment. In the event that a Fund or a subsidiary thereof enters into a property management agreement, it generally will pay a property management fee equal to the greater of: (i) three thousand dollars (\$3,000) per month, or (ii) three percent (3.0%) of the base rent for the applicable portfolio investment (or such other amount set forth in the applicable governing agreements).

**Construction Management Fees.** In connection with a portfolio investment which is to be redeveloped, renovated, refurbished or otherwise repositioned, or with respect to which a Fund or a subsidiary thereof will construct tenant improvements, a Fund or a subsidiary thereof generally pays or may pay one of our affiliates a construction management fee that is calculated based upon a percentage (which may range from 2% to 7.5%) of the applicable improvement costs.

**Real Estate & Leasing Fees.** In connection with a portfolio investment, a Fund or a subsidiary thereof may enter into a broker agreement for the purchase, sale or lease of industrial property with one of our affiliates, pursuant to which such affiliate will serve as the buyer's, seller's, or leasing agent for the portfolio investment. A Fund or a subsidiary thereof generally may pay market-rate commissions to the applicable affiliate based on the type and size of the property and the geographic area in which it is located.

**General Construction Contracts and Fees.** In connection with a portfolio investment, a Fund or a subsidiary thereof may enter into a construction agreement with one of our affiliates where the basis of payment is the cost plus a fee with a guaranteed maximum price, pursuant to which our affiliate will provide general contractor services with respect to such portfolio investment. A Fund or a subsidiary thereof generally may pay a general contractor fee equal to 3.5% (or such other percentage or amount set forth in the applicable governing agreements) of the cost of the work pursuant to the applicable construction agreement.

*In addition to management fees, incentive distributions, development fees, property management fees, construction management fees, real estate and leasing fees and general construction contracts and fees, we and/or our affiliates may receive various other types and forms of fees, payments and/or other compensation in connection with the services provided thereby (as described in the applicable governing and/or offering documents), and such fees may not result in a reduction of or offset to the management fees payable by the applicable Fund.*

*Detailed information regarding the fees and compensation applicable to each Fund or other client is set forth in its governing documents (and related services agreements) and the summary set forth above is qualified in its entirety by such governing documents. The applicable fees and compensation will vary from Fund to Fund based upon the terms and conditions set forth in the applicable governing and service agreements thereof.*

## **PAYMENT OF FEES**

Management fees generally are payable quarterly, in advance, on the first day of each calendar quarter (or such other time set forth in the applicable governing document or side letter agreement). The general partners of the Funds (or other affiliated entities) have the discretion to pay management fees from capital contributions drawn for such purpose, proceeds received in respect of any investments, or any other funds or other assets determined by the general partner (or an affiliate thereof) to be available. The management fee will be prorated for any period less than a full calendar quarter based upon the number of days during such period. In the event of termination of the investment management agreement with a Fund (or the removal of us or our affiliates as general partner), the management fee and any reimbursements of expenses will be paid up to and through the date of termination.

Incentive distributions generally are distributed to the general partners of the Funds (or one or more other affiliated entities) quarterly or more frequently at the election of the applicable general partner.

Any other applicable fees or compensation (including development, property management, leasing and other types of fees) with respect to a Fund or other client will be payable in accordance with the terms set forth in the applicable service agreements entered into by each Fund or other client (the forms of which are typically attached as an exhibit or appendix to the governing documents).

#### **OTHER FEES AND EXPENSES**

Detailed information regarding the various expenses and costs borne by or allocated to each Fund is set forth in its governing documents (including the forms of service agreements attached thereto). In addition to management fees, incentive distributions, development fees, property management fees, leasing fees, construction management fees and any other applicable fees and compensation, we and/or our affiliates generally are reimbursed by the Funds and/or their direct or indirect subsidiaries for certain fees, expenses and costs incurred by us and/or our affiliates on behalf thereof, including, without limitation, (i) all fees and out-of-pocket costs and expenses incurred in connection with the formation of the Funds, non-investment specific subsidiaries, the general partners (and their general partners) and any alternative investment vehicles or parallel funds and the admission of limited partners and investors to the Funds and parallel funds (other than placement agent fees), including, travel (which may include commercial air travel and the use of non-commercial aircraft and/or private chartered aircraft (but under all circumstances, the costs associated with any such air travel that may be charged to a Fund and/or its subsidiaries will not exceed the cost of business class commercial airfare)), transportation, meals, lodging, reasonable entertainment (such as meals with developers and partners, conference room rentals, market tours of properties, and similar costs), legal, accounting, filing and all other expenses incurred in connection with the offer and sale of interests in such Funds and such parallel funds and compliance with laws, rules and regulations thereto, subject to the terms and conditions set forth in the partnership agreements; (ii) all charges and expenses of our clients and their respective subsidiaries' operations, including maintaining bank accounts or of any banks, custodians or depositories appointed for the safekeeping of investments or other property of our clients or any subsidiary, all costs of bookkeeping and accounting services and audit and other expenses associated with the preparation and distribution of financial statements and reports to any investor; (iii) all costs related to our clients' or their respective subsidiaries' operations (including, for the avoidance of doubt, costs and expenses paid or reimbursed at the project level, which will be indirectly borne by clients and the limited partners); (iv) costs and expenses related to the acquisition, ownership, management, operation, financing, hedging or sale of investments; (v) interest on, and fees and expenses arising out of, all borrowings; (vi) extraordinary expenses (including litigation); (vii) travel costs and other expenses associated with investigating and evaluating investment opportunities (whether or not consummated), making, monitoring, managing or disposing of investments, or conducting other activities on behalf of our clients (which may include commercial air travel and the use of non-commercial aircraft (but under all circumstances, the costs associated with any such air travel that may be charged to the Funds and/or their subsidiaries shall not exceed the cost of business class or business class equivalent commercial airfare), transportation, lodging, meals, reasonable entertainment (such as meals with potential developers and partners, conference room rentals, market tours of properties, and similar costs), and communications relating to the foregoing); (viii) the costs of any third parties and, subject to the governing agreement, any sponsor affiliates, retained to provide services to our clients, subsidiaries or portfolio investments; (ix) all other expenses incurred by the general partners (or other affiliated entities) of our clients or any respective affiliate in connection with organizing any subsidiary, Fund and SPV, their respective subsidiaries or their respective portfolio investments or performing the duties of the general partner (or other affiliated entity) under the respective governing agreements, other than (a) ordinary and usual office overhead expenses, furniture, fixtures and office equipment of such general partner or other affiliated entity, and (b) compensation of the employees of any affiliate, unless such overhead or compensation expenses constitute services which would otherwise be provided by third parties.

Out-of-pocket expenses incurred by us or our affiliates in connection with the acquisition, holding or disposition of portfolio investments are or may be reimbursed by the project (or subsidiary), pursuant to relevant governing agreements. Out-of-pocket expenses incurred in evaluating potential investments that are ultimately not pursued ("dead deal costs") generally are reimbursed and paid by the applicable Fund. We or our affiliates (including, as applicable, Employee Vehicles) pay or bear our proportionate share of such dead deal costs indirectly as investors in the Funds (to the extent applicable). The Funds or subsidiaries may pay or reimburse expenses related to the provision of gifts or entertainment events to real estate professionals or other service providers that provide services that benefit such client or subsidiaries.



Expenses may be incurred by or relate to more than one of our clients and other persons and entities. Expense allocation determinations are or may be subjective and can involve potential conflicts of interest (e.g., an incentive to favor advisory clients that pay higher incentive fees or conflicts relating to different expense arrangements with certain clients). In general, if any fees, costs or expenses are incurred jointly for the account of a Fund or a subsidiary thereof and/or any other assets, investment funds or trade account sponsored or managed by us or an affiliate, those expenses generally will be allocated among such Fund (or applicable subsidiary) and any such other funds or accounts in proportion to the size of the investment made by each applicable client, fund or account in the activity or entity to which the expense relates, or in any other manner as we determine to be fair and equitable under the circumstances. Nevertheless, the portion of a common expense that we allocate to an advisory client for a particular product or service may not reflect the relative benefit derived by such client from that product or service in any particular instance, and we may be unable to allocate or cause certain clients to bear or pay their allocable share of any applicable cost or expense. Expense allocations made by us in good faith generally will be binding and final on each applicable client.

The foregoing list is not intended to be exhaustive and is qualified in its entirety by the applicable governing documents of each Fund. We may disclose certain information about the amount and nature of Fund and other client expenses in Fund financial statements, capital call notices and other investor communications. However, investors may not receive detailed information regarding specific expenses paid by a client or its subsidiaries.

The investment strategies we employ for the Funds generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions. To the extent applicable, the Funds will be responsible for and pay any of their respective custodial fees and expenses. **See Item 12 below.**

The investment strategies we employ for the Funds may involve expenses paid by the Funds and their subsidiaries that are related to legal, tax, regulatory and other issues, as well as the costs of other service providers and intermediaries that may be involved in the purchase or divestment of investments.

#### **OTHER EUROPEAN FUND FEES AND EXPENSES**

In addition to the fees described above, the European Funds pay or are subject to a service fee to the Alternative Investment Fund Manager (“AIFM”) that has been engaged to ensure compliance with applicable EU laws and may reimburse the AIFM for expenses incurred on such European Fund’s behalf, consistent with the governing or management agreements. The European Funds generally will reimburse us and our affiliates for all investment related expenses (but not overhead expenses) incurred in relation to the European Funds, including without limitation (i) all reasonable costs and expenses related to the acquisition development management and disposition of investments whether or not any such transaction is successfully completed including reasonable legal, accounting and other expenses incurred in connection with the investments of the European Funds; (ii) all reasonable costs and expenses of financings and refinancing for the European Funds whether or not any such transaction is successfully completed; and (iii) all reasonable costs and expenses related to the identification and due diligence evaluation of potential investments whether or not any such transaction is approved or successfully completed. Consistent with governing documents, the European Funds pay or reimburse the salary and compensation of the Fund Controller, who is currently an employee of an affiliate of the European Funds. The European Funds also bear their pro rata or proportionate share of all costs and expenses incurred in connection with the maintenance and staffing of a Luxembourg office (which will not be considered to be overhead expenses of us or our affiliates). Please refer to the applicable partnership agreement of each European Fund for detailed information regarding the costs, fees and expenses borne or paid by such European Fund.

#### **SPV EXPENSES**

The SPVs generally bear the fees and expenses set forth in the applicable governing documents, or as otherwise agreed to in agreements with the third-party investors in such SPV (including some, most or all of the expenses described above with respect to the US Funds). Such expenses may include development fees, property management fees, construction management fees, real estate and leasing fees, and general construction and contracting fees, as discussed above, paid to us or our affiliates, or to SPV investors, as well as costs incurred pursuant to affiliated borrowing arrangements, as described in **Item 10** below. The SPVs generally only pay dead deal costs related to specific projects in which such SPV is invested or expected to invest, but do not pay general pursuit costs or dead deal expenses for other potential investments. The SPVs or underlying investment projects may pay or reimburse expenses related to the provision of gifts or entertainment events to real estate professionals or other service providers that provide services that benefit such investment project.

## **EMPLOYEE VEHICLE EXPENSES**

Each Employee Vehicle bears (or reimburses us and our affiliates for) the costs and expenses set forth or described in applicable governing documents. Among other things, an Employee Vehicle generally will bear its own organizational expenses and all other costs and expenses incurred in connection with the management, operations and activities of, and investments by, such Employee Vehicle (including, without limitation, any capital contributions or other payments required to be made by the Employee Vehicle to an investment entity, any payments required to be made by the Employee Vehicle under any cost sharing agreement or cost reimbursement agreements with us or our affiliates, any payments to be made with respect to indebtedness of such Employee Vehicle, any fees of professional service providers or consultants, an allocation of overhead charges from the managing member to the Employee Vehicle or any of its or our affiliates, any amounts payable by, or allocated to, such Employee Vehicle under any bonus plans maintained by our affiliates for the benefit of employees). In certain situations, an Employee Vehicle may enter into cost sharing agreement, letter agreement or other form of cost reimbursement arrangement with our affiliate to share various costs and expenses (if related to a project, generally before an applicable subsidiary entity has acquired the applicable project site for such project), which arrangement will obligate such Employee Vehicle to pay its allocable share of such costs and expenses and, if related to a project, will generally recognize such Employee Vehicle's contractual rights to participate in such project and share in its portion (as reasonably determined by our affiliates) or any "net income" derived from transaction services fees, property management fees, asset management fees, and other fees derived by our affiliates from such project. Employee Vehicles generally will be subject to their allocable or pro rata share of the expenses and costs incurred and borne by any investment entities in which it directly or indirectly invests. Each Employee Vehicle or underlying investment projects may pay or reimburse expenses related to the provision of gifts or entertainment events to real estate professionals or other service providers that provide services that benefit such investment project. Investors may be required to contribute or pay additional amounts to the Employee Vehicles from time to time to pay for or fund any costs and expenses of such Employee Vehicles. For the avoidance of doubt, Employee Vehicles will indirectly bear their allocable share of any expenses, costs and fees borne or paid or incurred by any vehicles, ventures and entities in which they directly or indirectly invest.

## Item 6: Performance-Based Fees and Side-By-Side Management

As noted under Item 5 above, we or an affiliate are entitled to receive performance-based compensation (in the form of incentive distributions) with respect to the US Funds, EU Project, the European Funds and certain SPVs. The incentive distribution is effectively equivalent to a percentage of a Fund's net profits, subject to certain terms and conditions set forth in the governing documents of such Fund. Any share of Fund net profits paid to us or our affiliate is separate and distinct from any annual management fee (or any other fees) charged by us or any of our affiliates to the Funds. As a fiduciary, we recognize that we must treat all of our clients fairly and must refrain from favoring one client's interests over another client.

Incentive distributions could motivate or create an incentive for us and our affiliates to recommend investments and make investment decisions that are or may be riskier or more speculative than would be the case if only asset-based management fees were charged. For example, an incentive distribution generally entitles the general partner (or other affiliated entity) of each Fund to a percentage of the net profits of such Fund; however, the general partner is not required to bear the same proportion of the net losses, if any, suffered by a particular Fund. We attempt to mitigate conflicts of interest associated with an incentive distribution through: (i) the requirement that invested capital, a preferred return and expenses be returned to investors before the general partner is entitled to receive any incentive distributions; (ii) the requirement that each general partner and/or its affiliates have a capital commitment to the applicable Fund; and (iii) the clawback obligation of each general partner upon liquidation of the applicable Fund.

In addition, in allocating investment opportunities, there could be potential incentives to favor a Fund with higher potential performance-based compensation over Funds with lower or no potential performance-based compensation. We are focused on managing conflicts of interest and monitoring the allocation of investment opportunities in these contexts and endeavor to resolve any material conflict with respect to investment opportunities in a manner that we deem equitable under the particular facts and circumstances, consistent with our fiduciary duties. Moreover, we generally allocate investment opportunities in accordance with the allocation policies and procedures set forth in the applicable governing documents of each Fund. Pursuant to the governing documents of the Funds, certain types of opportunities, including "Excluded Opportunities" and other "Hillwood Permitted Activities", are not required to be allocated or offered to the Funds, but such opportunities may, in our discretion but subject to certain limitations, be made by us and/or our affiliates. We face various conflicts of interest in connection with the allocation of investment opportunities. For a summary of how investment opportunities are allocated with respect to the US Funds and the European Funds, *see* "Allocations of Investment Opportunities" in Item 11.

The method of calculating the incentive distribution may also result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions.

Certain of our individual supervised persons and/or affiliates may be compensated to some extent based upon real estate acquisitions or sales and investment profits for which they are responsible and, accordingly, may face the same potential conflicts as described above.

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

We currently only provide and/or perform Investment Advisory Services with respect to certain affiliated pooled investment vehicles and special purpose vehicles (the Funds, Employee Vehicles and SPVs) that invest directly or indirectly in real estate and real estate related investments. Notwithstanding the foregoing, we may provide and/or perform Investment Advisory Services with respect to other clients from time to time in the future.

Each investor in a Fund must satisfy the eligibility requirements outlined in the applicable governing documents or otherwise required by applicable laws. Investments in the Funds may also be subject to minimum initial investment amounts per investor, which generally may be waived. With respect to the Employee Vehicles, each investor generally is required to be a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act of 1940, as amended.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

#### US Funds

The US Funds' primary investment objective is to generate both capital appreciation and operating cash flow on a value-add basis by acquiring, improving, developing, leasing, maintaining, owning, operating and managing portfolio investments in the industrial sector in the United States and Canada. The US Funds utilize one or more special purpose vehicles as subsidiaries to make and hold investments, including, without limitation, real estate investment trusts ("REITs"), limited liability companies, partnerships or other types of entities.

In analyzing potential investments, market research is performed through a combination of third party written materials, broker discussions and first-hand knowledge of personnel assigned to or familiar with the markets/transactions being evaluated. Once a potential investment is identified, asset specific research includes review of due diligence provided by the owners of the property/portfolio, analyses provided by any required third-party consultants (*i.e.*, engineers, environmental, survey, title and others, as required), asset inspections and market tours.

Decisions regarding acquisition and/or disposition of investments are made based on consideration of expected risk-adjusted returns. When making investment decisions, we consider, among other things, suitability of the investment for the applicable US Fund, various underwriting criteria related to the asset (*e.g.*, in place and expected rents and occupancy), expected costs to lease the asset (including tenant improvement costs, brokerage commissions and capital improvements) and the current and anticipated market "capitalization rate" expected for the asset. Ultimately the expected gross profitability of an investment is measured using equity multiples and internal rate of return. Asset management decisions (*e.g.*, lease negotiations, capital improvements, etc.) are made in the context of maintaining or increasing the value of an asset.

Investment risks are analyzed by the transaction team through consideration of qualitative and quantitative analyses and the use of third party consultants.

The general partner of the general partner of each US Fund has formed two internal committees, an "investment committee" and an "operating committee" to assist the general partner, us and our affiliates in carrying out their duties under the applicable governing agreements and to approve various other matters and transactions. In general, the unanimous consent of the "investment committee" is required with respect to the acquisition and disposition of any portfolio investments and the consent of a majority of the "operating committee" is required with respect to various other matters relating to each US Fund.

#### European Funds

The primary investment objective of the European Funds is to generate both capital appreciation and operating cash flow on a value-add basis by indirectly acquiring, improving, developing, leasing, maintaining, owning, operating and managing industrial real estate properties and assets located in Europe. Each of Europe Fund I, EU Club II and EU Club III currently focuses on acquiring industrial real estate properties and assets located in Poland and Germany and EU Club UK and UK Club II currently focuses on acquiring industrial real estate properties and assets located in the United Kingdom, but any of the European Funds may make investments in other countries in Europe with the consent of a supermajority of the advisory board of the applicable European Fund. The European Funds will only acquire "mandate investments" located in Europe that target the minimum gross leveraged returns set forth in the offering memorandum. The European Funds generally utilize one or more special purpose vehicles as subsidiaries to make and hold investments, including, without limitation, partnerships, companies, joint ventures and other types of entities. The European Funds may engage partners in joint ventures to provide services with respect to investments.

Each European Fund's dedicated alternative investment fund manager (the "AIFM") generally will be responsible for, among other things, the investment management of the assets of that European Fund (including portfolio and/or risk management with respect to such assets). Pursuant to the terms of the investment advisory agreement between the AIFM and us, we generally are responsible for advising the AIFM in relation to the management of the European Funds. Our services will include, without limitation, proposing allocation of each European Fund's assets in different target investments, monitoring of the target investments, advising in respect of liquidity and cash management, advising in respect of borrowings and coordination of the overall investment process. The AIFM generally will act in accordance with or based on our investment advice and recommendations. The general partner of each European

Fund, which is ultimately controlled by us, has a veto right over all investment and divestment decisions to be taken by the AIFM.

The AIFM has established and maintains a dedicated risk management function that implements effective risk management policies and procedures in order to identify, measure, manage and monitor on an ongoing basis all risks relevant to the investment objectives of the European Funds, including market, credit, liquidity, counterparty, operational and all other relevant risks. The AIFM is responsible for applying a comprehensive process based upon qualitative and quantitative risk measures to assess the risks of the European Funds. The AIFM also employs appropriate liquidity management methods and adopts procedures which enable it to monitor the liquidity risk of the European Funds, which include the use of stress tests under both normal and exceptional liquidity conditions. The AIFM is responsible for ensuring that the investment and financing strategy, the liquidity profile, the distribution policy and the redemption policy are consistent with liquidity needs.

With respect to the European Funds, we have established two internal committees, an “investment committee” and an “operating committee”, to assist us in carrying out our duties with respect to the European Funds. In general, the unanimous consent of the investment committee is required with respect to any recommendation that the European Funds acquire, sell or exchange a mandate investment (among other things) and the consent of a majority of the operating committee is required with respect to various other matters relating to the European Funds.

#### EU Project

One of our affiliates established EU Project as a pooled investment vehicle to indirectly acquire direct or indirect interests in each of the European Funds and certain other direct or indirect real estate related interests and assets.

#### Employee Vehicles

As disclosed herein, the Employee Vehicles are pooled investment vehicles established by an affiliate to facilitate indirect investments in various real estate projects, investment entities, ventures and funds by certain of our officers and personnel. Employee Funds typically will acquire interests in various investment entities and real estate projects managed or controlled by us or our affiliates (including indirect investments in one or more of the Funds and/or other clients).

#### SPVs

Each of the SPVs is a private pooled investment vehicle established to invest, indirectly through one or more limited partnerships, limited liability companies or other entities, in a specific real estate property or asset (or group of related real estate properties and/or assets). As noted herein, we do not provide continuous and regular supervisory or management services with respect to such SPVs.

\* \* \* \*

The investment strategies summarized above are not intended to be comprehensive. In addition to the Funds, Employee Vehicles and the SPVs, we, our affiliates and/or certain of our affiliates may perform and/or provide Investment Advisory Services and other services with respect to one or more new or additional clients in the future. For more information regarding our investment strategies, please contact us.

#### **CERTAIN RISK FACTORS**

***There can be no assurance that the Funds or other clients will achieve their respective investment objectives or that investments in the Funds or other clients will be profitable. The Funds’ and other clients’ investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that the Funds’ and other clients’ investment strategies are low risk or risk free. The Funds’ and other clients’ investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. The various risks outlined below are not the only risks associated with the Funds’ and other clients’ investment strategies and processes. All or a subset of the risk factors set forth below apply or may apply with respect to EU Project, any Employee Vehicle, an SPV and their investment(s).***

***General Economic and Market Conditions.*** Changes in general global, regional and U.S. economic and geopolitical conditions may affect our or the Funds’ activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Funds or considered for prospective investment. Material changes and fluctuations in the economic

environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect the Funds' ability to make investments and the value of investments held by the Funds or the Funds' ability to dispose of investments. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of entities owned by the Funds. Additionally, there has been discussion and dialogue regarding potential significant changes to U.S. trade policies, legislation, treaties and tariffs, as well as trade policies and tariffs affecting Canada, China, the European Union and other countries. Tariffs and other trade restrictions recently imposed by the U.S. and any further similar changes in U.S. trade policy have triggered some, and could trigger additional, retaliatory actions by affected countries, possibly resulting in "trade wars". At this time, it is unknown whether and to what extent new legislation will be passed into law, pending or new regulatory proposals will be adopted, international trade agreements will be negotiated, or the effect that any such action would have, either positively or negatively, on the Funds or their investments. Investments can be expected to be sensitive to the performance of the overall economy. Moreover, a serious pandemic, natural disaster, armed conflict, threats of terrorism, terrorist attacks, global pandemics or outbreaks of disease and the impact of military or other action could severely disrupt global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer and business confidence may negatively impact market value, increase market volatility and reduce liquidity, all of which could have an adverse effect on the performance of Investments, the Funds' returns and the Funds' ability to make and/or dispose of investments. No assurance can be given as to the effect of these events on the Funds or their investment objectives.

*Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.* Our operations and business activities and the business and activities of the Funds, other clients and other vehicles and entities could be materially adversely affected or impacted in the future by the continuation or worsening of the COVID-19 global pandemic and other outbreaks of disease, epidemics, pandemics and public health issues, whether globally or limited to particular regions of the world, such as diseases or public health issues caused by other novel coronaviruses or diseases (including as a result of the emergence of new coronaviruses or diseases), Ebola virus disease, H1N1 flu, H7N9 flu, H5N1 flu (and other types or subtypes of influenza viruses), Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus disease 2019 (or COVID-19), an infectious disease caused by Severe Acute Respiratory Syndrome coronavirus 2 (SARS-CoV-2), was first identified in 2019 and has since spread rapidly, resulting in an ongoing global pandemic. This global pandemic has severely and materially affected (and may continue to severely and materially affect) the global economy, global equity markets and supply chains (including as a result of quarantines, shelter-in-place orders, social-distancing measures and other government-directed or mandated measures or actions to stop or slow the spread of SARS-CoV-2 and COVID-19). Although the short-term and long-term effects and consequences of COVID-19 (and the actions and measures taken or mandated by governments around the world to halt or slow down the spread of SARS-CoV-2 and COVID-19) cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as the 1918 influenza pandemic (also referred to as the Spanish flu pandemic) and the 2002-2004 SARS outbreak in Asia, had material adverse effects on the economies, capital markets and basic day-to-day operations of (and activities in) those countries and jurisdictions in which they were most prevalent. Recent efforts, actions and measures undertaken by governments, businesses and communities to protect the public health in the face of the COVID-19 pandemic (including measures designed or intended to "flatten the curve" and protect the healthcare systems in such applicable countries and jurisdictions from collapse or undergoing significant breakdowns) have resulted in partial or complete shutdowns of many sectors of the economy generally as well as severe restrictions, limitations and consequences on the means by which we operate our business (e.g., travel restrictions or bans, mandatory quarantines, shelter-in-place orders and social distancing measures and rules), which could adversely affect or negatively impact the business, activities, financial condition, and operations of us and the Funds indefinitely. As the economy and businesses begin to reopen and are allowed to resume operations or activities and people begin to return to more frequent personal or social interactions, there is a risk of recurrence of an outbreak of COVID-19, and such a recurrence or emergence of any kind of epidemic, pandemic, outbreak of disease or major public health issue could cause another slowdown or shutdown in the levels of economic activity and business activities and operations generally, or push the world or local economies into recession or depression, which could adversely affect and materially impact us, our affiliates and the Funds and their investments.

The impact of a health crisis such as the COVID-19 pandemic, and other epidemics, pandemics and outbreaks of disease that may arise in the future, depends on the duration and spread of the outbreak, the severity, the actions to contain, slow down or halt the spread of the virus or treat its impact, the success of the development and

implementation of vaccines, and how quickly and to what extent normal or semi-normal economic and operating conditions can resume, which could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect a Fund's performance or the performance, profitability, success or businesses of a Fund's investments and the underlying real estate projects, resulting in losses to investors.

The COVID-19 pandemic and actions, measures and steps taken by governments around the world in response to such pandemic may cause material disruptions to (or otherwise materially impact or affect) the business operations and activities of service providers on which we and our clients rely (including the custodians and counterparties). It may also adversely impact a Fund's investments, the ability of us and our affiliates to access markets or implement a client's investment strategies in the manner originally contemplated, and ultimately investors in the Funds.

*Force Majeure Events.* There is a risk that investments owned directly or indirectly by clients and other vehicles or ventures managed or advised by us will be impacted or affected or harmed by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, energy blackouts, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes and telecommunication failures). There is a risk that some force majeure events will adversely affect the ability of a party (including an investment, a tenant of an investment, a customer of a tenant of an investment, a counterparty of an investment or a counterparty of client) to perform its obligations until it is able to remedy the force majeure event. Such a party could also claim force majeure for nonperformance of its contractual obligations. Certain force majeure events (such as an outbreak of an infectious disease (including the recent COVID-19 global pandemic)) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries or jurisdictions in which investments are located. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over an investment, could result in a loss to a client. Any of the foregoing would therefore adversely affect the performance of such clients or accounts managed or advised by us.

*Terrorist Attacks, War and Natural Disasters.* Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, military or other actions taken in response to such actions, and natural disasters (including outbreaks of disease, pandemics, epidemics and other public health issues) may cause instability in the global financial and energy markets. Terrorism, the wars in the middle east and other oil and natural gas producing regions, political instability in Northern Africa and the Middle East, other sustained military campaigns, natural disasters, outbreaks of disease, pandemics, epidemics, and other public health issues could adversely affect the Funds and the market price of oil and natural gas in unpredictable ways, or the possibility that the infrastructure on which the operators developing mineral properties rely could be a direct target or an indirect casualty of an act of terror or natural disaster.

*Geopolitical Risks.* An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for oil and gasoline and could affect certain investments financial results. Further, the United States government has issued public warnings indicating that energy assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, such investments may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default with respect to particular investments of the Funds, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on a Fund's returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

*Governmental Intervention.* In 2008, the global financial markets underwent disruptions that led to certain governmental intervention. The coronavirus (COVID-19) global pandemic has also led and will likely continue to lead to substantial governmental intervention (both in the United States and abroad). Such intervention, in certain cases, was or is being implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions were or are typically unclear in scope and application, resulting in confusion and uncertainty which in itself can be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are unwound, there could likewise be uncertainty and adverse effects on the markets. In the case of any future market disruptions, it is impossible to



predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets or the effect of such restrictions on the Funds' investment strategies.

*General Investment Risks.* All investments risk the loss of capital. No guarantee or representation is made that our Investment Advisory Services will be successful or profitable. Real estate investments are subject to various specific risks, many of which are beyond our control, such as adverse changes in international, national or local economic and demographic conditions; local conditions (such as an oversupply of space or a reduction in demand for space); the quality and philosophy of management; competition based on rental rates; adverse changes in financial conditions of tenants, buyers and sellers of properties; quality of maintenance, insurance and management services; reduction or change in sources of debt or equity financing, including changes in interest rates; increases in real estate taxes and operating expenses, including energy prices; changes in law, regulations and governmental policies, including environmental laws, health and safety laws, zoning laws and governmental fiscal policies; potential liability under changing environmental and other laws; changes in the relative marketability of properties; cyclical over-building in property sectors; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; structural or property latent defects; natural and unnatural disasters; acts of terrorism and vandalism; uninsurable losses; condemnations and others. As a result, a Fund may be subject to claims and expenses in respect of an asset in excess of its investment in such asset, which could lead to losses.

Many of the foregoing factors could cause fluctuations in occupancy rates, rent schedules or operating expenses, causing a negative effect on the value of properties and returns derived from real estate investments. Valuation of properties are generally a matter of an independent appraiser's opinion, and may fluctuate up or down over time. Accordingly, the capital value of a real estate investment may be significantly diminished in the event of a sudden downward turn in the market value of properties owned by a Fund or the occurrence of any of the factors set forth above.

*Adverse Economic Conditions in Geographic Markets.* The economic performance of the Funds' properties could be affected by changes in local economic conditions. The performance of each Fund is therefore linked to economic conditions in areas where such Fund acquires properties and in the real estate market generally. Therefore, to the extent that there are adverse economic conditions in an area and in the real estate market generally that impact the market, such conditions could result in a reduction of income and adversely affect the investment results of the applicable Fund.

*Expiration or Lack of Credit Enhancements.* A lease may have credit enhancement provisions, such as guarantees or shortfall reserves provided by a third-party tenant or operator. These credit enhancement provisions may terminate at either a specific time during the lease term or once net operating income of the property exceeds a specified amount. These provisions also may have limits on the overall amount of the credit enhancement. After the termination of a credit enhancement, or if the maximum limit of a credit enhancement is reached, the applicable Fund or underlying real estate investments may look only to the tenant to make lease payments. If a credit enhancement has expired or the maximum limit has been reached, or if a provider of a credit enhancement is unable to meet its obligations, results of operations could be directly or indirectly adversely affected if such properties are unable to generate sufficient funds from operations to meet minimum rent payments and the tenants do not otherwise have the resources to make the rent payments. In addition, some leases may not have any credit enhancements, so that the applicable Fund may look only to the tenant to make lease payments during the entire term of the lease.

*Restrictive Covenants.* In connection with obtaining certain financing, a lender may impose certain restrictions on a Fund which may affect its ability to incur debt and, thus, adversely affect the investment results of such Fund. Loan documents that a Fund enters into may contain negative covenants that limit its ability to further mortgage the property or impose other limitations.

*Failure to Make Debt Payments.* Loans obtained to fund property acquisitions generally are secured by first mortgages on such properties. If a Fund is unable to make its debt service payments as required, a lender could foreclose on the property or properties securing such debt. This could cause such Fund to lose part or all of its investment. Certain of a Fund's future indebtedness may be cross-collateralized. Consequently, a default on this indebtedness could cause such Fund to lose part or all of its investment in multiple properties.

*Lack of Control over Entities in Which the Funds Invest.* On occasion, we may recommend investments in an entity that either Fund will not control. As a result, in these situations, the Funds may not be able to control the decisions made by such entities. The entities holding investments may therefore make decisions that could be adverse to the applicable Fund. Such investments may also have potential risks of impasse on major decisions, such as sales or

mergers, because the applicable Fund would not have full control over the partnership, limited liability company or other entity. In addition, any investment in an entity with co-owners may, under certain circumstances, involve risks not present were a co-owner not involved, including the possibility that partners or other co-owners might become bankrupt or fail to fund their share of required capital contributions. Partners or other co-owners may have economic or other business interests or goals that are inconsistent with the applicable Fund's business interests or goals, and may be in a position to take actions contrary to the applicable Fund's policies or objectives. Disputes between a Fund and its partners or other co-owners may result in litigation or arbitration that would increase expenses and prevent such Fund from focusing its time and effort on its business. Consequently, actions by or disputes with partners or other co-owners might result in subjecting facilities to additional risk. The occurrence of any of the foregoing events could have a material adverse effect on a Fund's results of operations and may adversely affect its investment results.

*Competition.* We compete for investment and development opportunities with the following persons (among others):

- private investors;
- pension funds;
- insurance company investment accounts;
- real estate investment trusts;
- real estate partnerships;
- financial institutions; and
- local developers.

Many of these competitors have substantially greater financial and other resources than us and may have better relationships with developers and sellers. Additionally, these competitors may enjoy significant advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Moreover, the number of entities and the amount of funds competing for suitable investment properties may increase. However, increased competition from competitors may adversely affect our ability to recommend attractive investment opportunities, as well as the price for such investment opportunities.

There may be numerous other properties that compete with properties that we recommend to a Fund and that compete with such Fund for tenants. The number of competitive properties could have a material effect on such Fund's ability to rent space at their properties and the amount of rents charged. A Fund could be adversely affected if additional competitive properties are built in locations competitive with its properties, causing increased competition for customer traffic and creditworthy tenants. This could result in decreased cash flow from tenants and may require such Fund to make capital improvements to properties which it would not have otherwise made, thus affecting the investment results of such Fund.

*Inflation Risk.* Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Fund's investments may decline. For example, a substantial rise in inflation could reduce the value of a Fund's investments subject to leases if the inflation rate is high enough that percentage rent and automatic increases in base rent do not keep up with inflation.

*Construction Risks.* We cause Funds and clients to invest directly or indirectly in existing or newly constructed properties. We also make or recommend investments in properties that are subject to completion of construction and development. If a Fund acquires a property for development or renovation, it may be subject to risks in connection with a developer's ability to control site development risks, construction costs and the timing of completion of construction or a developer's ability to build in conformity with plans, specifications and timetables. In addition, development and renovation plans could be affected by delays in obtaining any necessary permits or consents from appropriate governmental agencies, strikes, adverse weather, shortages of materials and increases in the cost of labor and materials. Although we typically recommend safeguards that are designed to minimize these risks, such as rights to require the tenant to purchase the property that is under development at a pre-established price designed to reimburse the applicable Fund for all acquisition and development costs, there can be no assurance that the tenants will have sufficient funds to fulfill their obligations under these agreements. The builder's failure to perform may result in tenants terminating leases. These actions may increase the applicable Fund's costs or necessitate legal action by it to rescind the purchase of a property, to compel performance or to sue for damages. Any such legal action may result in increased costs to such Fund.

In addition, certain properties that we recommend are or may be subject to conservatory easements that prohibit the development of certain activities other than those specific activities already conducted on the property, and limit the ability to materially modify the existing layouts on the property.

We may recommend that a Fund (and/or its affiliates) enter into guaranteed maximum price contracts with developers for the development of new construction properties. Such contracts involve counterparty risk since developers may not perform their contractual obligations in accordance with the terms of such contracts. In addition, such contracts may not be insured by surety bonds or guarantees, which would protect such entities in the event of loss or casualty. Without such protection, in the event of loss or casualty, such entities could lose their investments in such new construction properties.

As disclosed in this brochure, we cause certain Funds or clients to engage and retain one of our affiliates to serve as general contractor with respect to construction projects and pay construction management fees to such affiliate (as authorized and permitted pursuant to the applicable governing documents of such Funds and/or clients).

*Real Estate Liquidation Risk.* Real estate and real-estate related investments are illiquid. The Funds may not be able to readily dispose of real estate assets or have the ability to react quickly to changing investment circumstances due to market conditions that could affect the market price of properties, thereby adversely affecting the Funds. Furthermore, a Fund may not have the authority to cause an entity through which it has made an investment to sell or refinance a real estate property or to refrain from selling or refinancing a real estate property.

*Market and Business Conditions.* Changes in general or local economic or market conditions, state or local statutes, state or local taxation, litigation, increased energy costs, insurance costs, product costs and labor costs, competitive factors, fuel or labor shortages, quality of management, the ability of a chain or franchisor(s) to fulfill any obligations to operators of its businesses, limited alternative uses for a building, changing consumer habits, condemnation or uninsured losses, changing demographics, changing traffic patterns, inability to remodel outmoded buildings as required by the franchise or lease agreement, voluntary termination by a tenant of its obligations under a lease, bankruptcy of a tenant, and other factors beyond a Fund's or its underlying investment properties' control, may reduce the value of investments, the ability of tenants to pay rent on a timely basis, the amount of the rent and the ability of borrowers to make mortgage loan payments on time.

Additionally, properties securing mortgages that are owned by a Fund may decrease in value from the date when the mortgage loan was made and the creditworthiness of the mortgagee may decrease. Therefore, investment risk will increase due to decreasing market values.

*Properties with Limited Operating History.* Newly-developed or newly-renovated properties generally will not have any operating or performance histories that will allow us to make objective pricing recommendations in acquisitions. The purchase prices of these properties are oftentimes based upon projections by us as to the expected operating results of such properties, subjecting the Funds to risks that such properties may not achieve anticipated operating results or may not achieve these results within anticipated time frames.

*Risks Related to Debt Investments.* We may recommend investments in debt investments, including construction, participating and other real estate-related loans (collectively, "Debt Investments"). The value of the Debt Investments and the ability to realize full repayment on any Debt Investment may be adversely affected by all of the factors that affect an investment. In particular, certain important risks associated with Debt Investments include, among others: (a) dependency for repayment on successful operation of the underlying property and tenant businesses operating thereon; (b) the non-recourse nature of such loans with respect to the borrower; and (c) amortization schedules that are often longer than the stated maturity and provide for balloon payments at stated maturity rather than periodic principal payments.

Debt Investments are also subject to risks of borrower defaults, bankruptcies, fraud and special hazard losses that are not generally covered by standard hazard insurance. In the event of any default under mortgage loans held, directly or indirectly, by either of the Funds or any entity in which such Fund has an interest, the applicable Fund will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal amount of the mortgage loan and may not receive interest payments on such mortgage loan. Foreclosures of mortgage loan, bankruptcies affecting mortgage loan borrowers and other collateral realization processes will be expensive and lengthy processes that could have a substantial negative effect on a Fund's anticipated return on investment.

*Payments from Tenants.* The success of our investment recommendations depends on rent payments from property tenants to generate returns and cash for the Funds. The Funds generally have no control over the success or failure of

their tenants' businesses. Significant adverse changes in the operations of any facility, or the financial condition of any tenant, could have a material adverse effect on a Fund's ability to collect rent payments and, accordingly, on the investment results of such Fund. Failure on the part of a tenant to comply materially with the terms of a lease could give a Fund the right to terminate the lease with that tenant, repossess the applicable facility and enforce the payment obligations under the lease. However, such Fund then would be required to find another tenant. If a Fund is unable to re-let the properties, then it may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by the purchasers. Moreover, the bankruptcy of any of a Fund's tenants could delay its efforts to collect past due balances under its leases, and could ultimately preclude collection of amounts due to such Fund. The occurrence of any of the foregoing events may adversely affect the timing of and the investment results of the Funds.

*Inability to Sell Property.* The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our and/or the Funds' control. We cannot predict whether a Fund will be able to sell any property for the price or on the terms set by them, or whether any price or other terms offered by a prospective purchaser will be acceptable to them. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. A Fund may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot guarantee that a Fund will have funds available to correct such defects or to make such improvements.

*Lease Terminations.* The Funds are subject to the normal risks associated with leasing property, including the risk that upon the expiration of leases for space located in the properties, the leases may not be renewed, the space may not be re-let or the terms of renewal or leasing (including any cost of required renovations or concessions to tenants) may be less favorable than current lease terms. If we are unable promptly to re-let a space or renew leases for a significant portion of a property's space or if the rental rates upon renewal or re-letting are significantly lower than expected rates, then the applicable Funds' earnings may be adversely affected. Vacancies may not be able to be filled in a timely manner or on acceptable contract terms.

*Special Purpose Properties.* Certain properties that we recommend may not be readily adaptable to other uses such as general residential, retail or office use. Therefore, if a property becomes unprofitable for its operator due to competition, age or improvements or other factors such that the tenant becomes unable to meet its obligations under the lease, the liquidation value of the property may be substantially less than if the property were readily adaptable to other uses. The receipt of liquidation proceeds could be delayed by the approval process of any state agency necessary for the transfer of the property.

*Environmental Risks.* Under various federal and state environmental laws and regulations, owners and operators of real estate may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials or petroleum products released on real estate properties. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of hazardous or toxic substances. The presence of contamination or the failure to remediate contaminations at any such properties may adversely affect a Fund's ability to sell or lease the properties or to borrow using the properties as collateral. Furthermore, a person that arranges for the disposal or transports for disposal or treatment a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect a Fund's ability to sell such real estate or to borrow using such real estate as collateral.

Environmental liabilities that may be incurred, directly or indirectly, could have an adverse effect on a Fund's financial condition or results of operations and thereby adversely affect its investment results.

We typically expect to recommend that a Fund obtain Phase I environmental assessments on all of properties prior to acquisition. Phase I environmental assessments are intended to identify potential environmental contamination for which properties may be responsible. Phase I environmental assessments include historical reviews of the properties, reviews of certain public records, preliminary investigations of the sites and surrounding properties, screening for the presence of hazardous substances, toxic substances and underground storage tanks, and the preparation and issuance of a written report. Phase I environmental assessments do not include invasive procedures, such as soil sampling or ground water analysis. Thus, these environmental assessments may not reveal all environmental liabilities and there may be material environmental liabilities of which neither we nor the applicable Fund was aware.

*Capital Expenditures for Property Renovation.* Properties, particularly those that consist of older structures, have an ongoing need for renovations and other capital improvements, including periodic replacement of furniture, fixtures,

and equipment. Under the terms of certain of leases, a Fund may be obligated to pay the cost of expenditures for items that are necessary for the continued operation of its properties and that are classified under generally accepted accounting principles as capital items. If these capital expenditures exceed estimates, the additional costs could have an adverse effect on such Fund. In addition, we may recommend investments in properties that require significant renovations. Renovation of properties involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from properties.

*Currency Risks.* The investments of the Funds that are not denominated in the U.S. dollar will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Changes in the rates of exchange between the U.S. dollar and other currencies will have an effect, which could be adverse, on the performance of the Funds and the amounts available for distribution by the Funds. In this regard, regulators and law-enforcement agencies from multiple governments have conducted investigations into whether several large global financial institutions may have been rigging or otherwise manipulating or attempting to manipulate foreign-currency exchange rates for their own benefit. If manipulation of foreign-currency exchange rates occurs in the future, it may result in such rates being artificially lower (or higher) than they would otherwise have been and, to the extent a Fund converts currencies at or based on such rates, it may result in such Fund overpaying for such conversion. Additionally, a particular foreign country may impose exchange controls, conversion costs, devalue its currency and/or take other measures relating to its currency which could adversely affect a Fund. 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 and capital appreciation and political developments. Finally, the Funds will incur costs in connection with conversions between various currencies. The Funds will conduct its foreign currency exchange transactions in anticipation of making investment commitments or receiving proceeds upon dispositions.

*Exchange Rate Risks.* The rates of exchange between currencies are determined by the forces of supply and demand in the foreign exchange markets. These rates are affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. Volatility in the currency markets may result in a Fund's or client's investment portfolio incurring higher costs and may adversely impact the profitability and cash flows from operations of its investments, properties or assets. A potential primary effect would be an immediate reduction of liquidity in the affected countries, thereby potentially impairing the value of such investments or the ability of the Funds to make investments in such countries. Additional risks include: (i) economic dislocations in the host country, (ii) less publicly available information, (iii) less well-developed regulatory institutions, (iv) greater difficulty of enforcing legal rights, (v) civil disturbances, (vi) government instability, and (vii) nationalization and expropriation of assets or investments. Moreover, entities or vehicles or ventures in different jurisdictions may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements that are comparable to each other. We generally do not, and are not required to, enter into or engage in any hedging transactions designed or intended to reduce or mitigate currency risks or currency exchange risks.

*US Tax Law Developments.* In December 2017, a significant reform of the U.S. Internal Revenue Code of 1986, as amended (the "Tax Code"), was signed into law (the "Tax Act"). There are significant uncertainties regarding the interpretation and application of the Tax Act. Among the numerous changes included in the Tax Act are (i) a reduction to the corporate income tax rate, (ii) new limitations on the utilization of net operating losses, (iii) partial limitations on the deductibility of business interest expense, (iv) a partial shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with a transitional rule which taxes certain historic accumulated earnings and rules which prevent tax planning strategies which shift profits to low tax jurisdictions), and (v) a suspension of certain miscellaneous itemized deductions, including deductions for investment fees and expenses, until 2026. While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes to the Tax Code made by the Tax Act and any further changes in tax laws or interpretation of such laws may be adverse to advisory clients and/or investors in a Fund.

The Tax Act subjects allocations of income and gain in respect of entitlements to carried interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. Significant uncertainties remain regarding the application of the provisions of the Tax Act that affect the taxation of carried interest. Enactment of this legislation could cause our investment professionals to incur a material increase in their tax liability with respect to their entitlement to carried interest. In addition, other countries could clarify or modify their tax treatment of carried interest. This might make it more difficult for us to incentivize, attract and retain these professionals, which may have an adverse effect on our

ability to achieve the investment objectives of our clients. In addition, this can create a conflict of interest as our tax position may differ from the tax positions of our clients and/or investors in the Funds and therefore, these rules may have an additional impact on the investment decisions made by our clients, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the Tax Act gives us an incentive to cause a client to hold an investment for longer than three years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than three years.

*Property Tax Increases.* Properties may be subject to real and personal property taxes that increase as property tax rates change and as the facilities are assessed or reassessed by taxing authorities. Leases generally provide that the property taxes are charged to tenants as an expense related to the facilities that they occupy. As the owner of the facilities, however, the respective Fund is ultimately responsible for payment of the taxes to the government. If property taxes increase, tenants may be unable to make the required tax payments, ultimately requiring the respective Fund to pay the taxes.

*Reduction in Funds Available for Future Acquisitions.* All real estate properties that we recommend are subject to operating risks common to real estate in general, any or all of which may negatively impact a Fund. If a property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, a Fund could be required to expend funds with respect to that property for operating expenses. Properties are subject to increased utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses. While some properties that we recommend may require tenants to pay a portion of such expenses, some may not be negotiated on that basis, in which event the respective Fund may have to pay those costs. If a Fund is unable to lease properties on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, such Fund could be required to pay those costs.

*Inability to Obtain Adequate Financing.* We cannot be sure that a Fund will be able to obtain lines of credit or long-term permanent financings on satisfactory terms.

*Financing to Purchasers.* In some instances, we may recommend that a Fund sell an investment by providing financing to purchasers. If such Fund provides financing to purchasers, the Fund will bear the risk that the purchaser may default, which could result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales, or their reinvestment in other assets, will be delayed until the promissory notes or other property such Fund may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

*Adverse consequences of failure to maintain REIT status.* We recommend or make investments in REITs. If a REIT in which a Fund or client invests were to fail to qualify as a REIT in any taxable year, the REIT would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates, and distributions to stockholders, including the applicable Fund or client, would not be deductible by it in computing its taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders. Unless entitled to relief under certain provisions of the Internal Revenue Code, as amended, the disqualified REIT also would be disqualified from taxation as a REIT for the four taxable years following the year during which it ceased to qualify as a REIT.

*Investment Company Act Considerations.* It is intended that many of the Funds and the SPVs, as applicable, will rely on certain exemptions and exclusions from the registration requirements of the Company Act, other than or in addition to Section 3(c)(1) or Section 3(c)(7) thereof. These are expected to include the exclusions from the definition of investment company set forth in Sections 3(c)(5)(C) and Section 3(c)(6) of the Company Act. For example, to qualify for the exclusion set forth in 3(c)(5)(C) of the Company Act, the Funds (on a Fund by Fund basis) generally will be required to hold at least (i) 55% of their assets in “qualifying” real estate assets and (ii) at least 80% of their assets in “qualifying” real estate assets and real estate-related assets. As a consequence of the Funds seeking to comply with such tests on an ongoing basis, the Funds may be restricted (or we may be incentivized to restrict the Funds) from making certain investments or may be required to structure investments in a manner that would be less advantageous to the Funds than would be the case in the absence of such requirements. In addition, seeking to be in compliance with such tests may cause the Funds to dispose or not dispose of investments at different times than it would otherwise, which could result in lower proceeds to the Funds than it would have received if it were not seeking to comply with such requirements.

*Investments with Third Parties.* Our clients may co-invest through partnerships, joint ventures or other entities with third parties that may have economic or business interests or objectives that are different than or conflict with those

of such clients. Such co-investments may involve risks in connection with such third-party involvement, including the possibility that a third party co-investor may have financial difficulties, resulting in a negative impact on the investment, may have economic or business interests or objectives that are different than or conflict with those of our clients, or may be in a position to take (or block) actions contrary to a client's investment objectives.

*Cybersecurity Risks.* We, the Funds, our respective affiliates and service providers, as well as other market participants, increasingly depend on information technology and electronic communications systems to conduct business functions, including through expanded remote work activities. These systems are subject to a number of different threats or risks, and notwithstanding the diligence that we or our affiliates may perform on such systems and service providers, or our efforts to adopt technologies, process and practices intended to mitigate these risks and protect the security of computer systems, software, networks and other technology assets, we may not be in a position to verify the risks or reliability of such information technology systems. We, the Funds and our respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. We, our affiliates and our information and technology systems are 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. Although we have 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, we or an affiliate 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 our, a Fund's or any of our respective affiliates' 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). Such a failure could harm our or our affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the operations of us and our affiliates (or their service providers). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds, us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

*Brexit.* On June 23, 2016, the United Kingdom (the "UK") held a referendum and voted to withdraw as a member of the EU and a party to the Treaty on European Union (the "EU") and its successor treaties, and on March 29, 2017, the UK delivered a letter to the EU invoking the applicable withdrawal procedures. While the UK officially withdrew as a member of the EU as of January 31, 2020, the UK and the EU agreed to a transition period, during which the UK generally continued to operate under and pursuant to EU laws and rules. The transition period expired on December 31, 2020, and EU law no longer applies in the UK. The outcome of the referendum and the subsequent withdrawal of the UK have caused significant volatility in global financial markets and uncertainty about the integrity and functioning of the EU, both of which are likely to persist for an extended period of time now that the UK has formally left the EU. Although the Managing Member cannot predict the full effect and results of Brexit, it could have a significant adverse impact on UK, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the AIFMD and the European Union Markets in Financial Instruments Directive ("MiFID II")), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally and the global economic climate and may impact opportunities, pricing, availability and cost of financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the EU, including investments made or considered by us. The

volatility and uncertainty caused by Brexit may adversely affect the value of investments and our ability to achieve investment objectives.

*Privacy, Data Protection and Information Security Compliance Risk.* Compliance with current and future (i) privacy, data protection and information security laws and (ii) league rules regarding the use and disclosure of confidential information could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and any Fund's or client's current and planned business activities and as such could increase costs for such clients or funds or their or our ability to disclose certain investment information to its investors. A failure to comply with such laws, regulations and league rules could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of our clients, as well as have an impact on a client's ability to make future investments.

Properties and investments in which our clients invest are or may be subject to laws and regulations related to privacy, data protection and information security in the jurisdictions in which they operate or do business. As privacy, data protection and information security laws and regulations are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

California has passed the California Consumer Privacy Act of 2018 (the "CCPA"). The CCPA generally applies to businesses that collect personal information about California consumers, and either meet certain thresholds with respect to revenue or buying and/or selling consumers' personal information. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. The CCPA is enforceable by the California Attorney General. Additionally, if unauthorized access, theft or disclosure of a consumer's personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages, whichever is greater. The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation.

The European Union (the "EU") data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the "GDPR"), which took direct effect across the EU member states on May 25, 2018. The GDPR seeks to harmonize national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects or (iii) which monitor EU data subjects' behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors and introduces significant penalties for non-compliance, with fines of up to 4% of total annual worldwide revenue or €20 million (whichever is higher), depending on the type and severity of the breach.

Other jurisdictions, including other U.S. states, have proposed or are considering similar privacy laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such privacy laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs and operational and legal burdens on regulated entities. Further, compliance with current and future privacy laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities. Any such privacy law could materially and adversely affect the results of operations and overall business of our clients and/or their investments, as well as have a negative impact on their respective performance.

*Climate Change.* Ongoing changes to the climatic conditions in which clients operate and invest may have an adverse impact on clients and their investments. While the precise future effects of climate change are unknown, it is possible that changes in weather patterns or extreme weather (such as floods, hurricanes and other storms) would, among other adverse impacts, damage client investments or their assets. These changes, in addition to changes affecting precipitation levels, hydrology, annual sunshine, and/or wind levels, could influence power generation levels. Reductions in precipitation levels, wind or sunlight could cause material and adverse impacts on clients, for example, by affecting the revenues and cash flows of client investments. If such reductions are significant, certain investments could be rendered inoperable. Significant increases in precipitation levels or wind could cause damage to client investments or also create periods in which client investments are inoperable. Further, rising sea levels could, in the future, affect the value of client investments in low-lying coastal real assets or result in the imposition of new property taxes or increase property-related insurance rates. Climate change may also give rise to changes in regulations and consumer sentiment that could have a negative impact on the operations of the clients by increasing operating costs



of certain investments or restricting or decreasing demand for the activities of certain investments, among other effects. The adverse effects of climate change and related regulation at provincial or state, federal and international levels could have a material adverse effect on the business, financial position, results of operations or cash flows of clients.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS THAT ARE OR MAY BE ASSOCIATED WITH A FUND'S OR A CLIENT'S INVESTMENT STRATEGIES OR AN INVESTMENT IN THE FUNDS OR OTHER CLIENTS.**

### Item 9: Disciplinary Information

Not applicable.

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

### **AFFILIATED GENERAL PARTNERS AND INVESTMENT MANAGERS**

As mentioned in Item 4 above, certain of our affiliates, including US Industrial Club IV General Partner, LLC, US Industrial Club IV GP, LP, US Industrial Club V General Partner, LLC, US Industrial Club V GP, LP, HE Management Sea r.l., HWE Holdings GP, LLC, HE Management II S.à r.l., EU Industrial Club III GP S.à r.l., UK Industrial Club II GP S.à r.l., and AHB 2020, LLC (each, an “Advisory Affiliate” and, collectively, “Advisory Affiliates”), serve as general partner, managing member or investment manager with respect to one or more of the Funds, SPVs or Employee Vehicles and may from time to time perform and/or provide Investment Advisory Services with respect to a client. While we and each of the Advisory Affiliates are organized as separate legal entities, we collectively conduct a single advisory business. Accordingly, the Advisory Affiliates rely on our investment adviser registration instead of separately registering as investment advisers with the SEC under the Advisers Act. To rely on our registration, we have entered into investment management agreements with each Advisory Affiliate, pursuant to which we monitor, supervise, oversee and control any and all Investment Advisory Services provided by such Advisory Affiliate and any persons acting on its behalf with respect to the applicable client. Each Advisory Affiliate, its employees and persons acting on its behalf are “persons associated with” and “supervised persons” (as each term is defined in the Advisers Act) of TXRE Advisers, LLC with respect to all Investment Advisory Services provided thereby, the Investment Advisory Services of each Advisory Affiliate, its employees and persons acting on its behalf are subject to our supervision and control, any Investment Advisory Services of an Advisory Affiliate are subject to the Advisers Act and the rules and regulations thereunder, and the activities and books and records of each Advisory Affiliate are subject to inspection and examination by the SEC. Each Advisory Affiliate is subject to our compliance policies and procedures and, except as the context otherwise requires, any reference in this brochure to “we,” “us,” “our” includes TXRE Advisers, LLC and the Advisory Affiliates.

All Investment Advisory Services with respect to clients and any of its subsidiaries have been or will be delegated to, and shall be provided and/or performed by, us (and our Advisory Affiliates). Any Investment Advisory Services with respect to clients and their subsidiaries that are undertaken by any of our affiliates, agents, supervised persons, employees and persons acting on their behalf are subject to our supervision and control.

### **HDC ACTIVITIES**

Hillwood Development Company, LLC, our affiliate and parent company (“HDC”), and affiliated entities are engaged and may in the future engage in various real estate development activities, including industrial, commercial and residential. Industrial real estate activities (to the extent such activities are or may be related to the Funds, the SPVs or securities-related activity) generally are subject to our oversight as investments in the Fund(s). Certain investment opportunities, including “Excluded Opportunities” and other “Hillwood Permitted Activities”, as defined in the applicable Fund governing documents, are not required to be allocated or offered to the Funds, and may be pursued outside of such Funds or clients by HDC or an affiliate. See “Allocation of Investment Opportunities” in Item 11 below for more information.

Commercial and residential real estate activities generally do not involve Investment Advisory Services and thus are separate and independent from our investment activities. We generally also share certain resources and personnel with other HDC business units. To the extent that such activities or matters do raise material conflicts of interest, we expect to address such conflicts in the manner described in *Item 11 - Advisory Committee; Conflicts of Interest* below and/or disclosure in the applicable offering documents.

### **AFFILIATED REAL ESTATE BROKER**

We are affiliated, and share certain principals and employees with, Hillwood Realty Services Corporation, a real estate broker. Although we intend to keep our business activities and operations separate and independent from the business activities and operations of Hillwood Realty Services Corporation, the activities of Hillwood Realty Services Corporation may present actual or potential conflicts of interest, including, but not limited to, the time conflicts presented thereby.

## **AFFILIATED BORROWING ARRANGEMENTS**

Certain of our affiliates have entered into and/or may in the future enter into master borrowing arrangements through which funds are borrowed from a third-party lender in connection with a government sponsored lending program (“master borrowing arrangements”). In connection therewith, one or more of our affiliates have provided and/or may in the future provide loans to the SPVs and/or other clients with respect to real estate projects from the proceeds borrowed under such master borrowing arrangements (“affiliate loans”). The terms of such affiliate loans generally are the same as or substantially similar to those under the master borrowing arrangement, except that the affiliate loans generally have higher loan origination fees which generally are intended to cover the estimated additional costs and expenses associated with such loans (although such origination fees could potentially exceed the applicable costs). Neither we, nor our affiliates otherwise receive any compensation with respect to or in connection with such affiliate loans. None of the Funds utilize or have in the past utilized such affiliate loans.

## **OTHER ACTIVITIES OF PRINCIPALS, OFFICERS AND AFFILIATES**

Certain of our personnel, employees and agents and related persons are or may be subject to a variety of conflicts of interest relating to their responsibilities, duties, obligations and services to clients, other vehicles, accounts, entities, ventures and/or programs managed or sponsored by us and our affiliates and their respective investments, and their outside personal or business activities, including as members of investment or advisory committees or boards of directors of or advisors to investment funds, entities and other organizations. Such positions create a conflict if such other entities, ventures, vehicles, funds and/or accounts compete with client accounts for investment opportunities or other resources. The personnel in question may have a greater financial interest in the performance of such other entities, ventures, vehicles, funds or accounts than the performance of a Fund or other client. This involvement may create conflicts of interest in making or recommending investments on behalf of a Fund or other client and such other entities, funds, accounts, vehicles or ventures. Although we generally seek to minimize or otherwise mitigate the impact of any such material conflicts, there can be no assurance that any such conflicts will be (or will be able to be) resolved or mitigated or addressed in a manner that is favorable for or to a Fund or client.

Certain of our affiliates and related persons (including limited partnerships, limited liability companies, family offices, family entities, trusts and other entities and investment vehicles) are engaged or may be engaged in non-securities related investment activities and/or other matters that do not involve Investment Advisory Services, including investments in real estate or other non-securities related investments (either directly or through wholly owned or controlled subsidiaries). In addition, certain of our affiliates manage, operate, sponsor and/or control various investment vehicles and other entities that are owned exclusively by our related persons and affiliates and do not otherwise have any third-party investors. The activities of these investment vehicles generally are separate from our Investment Advisory Services and activities. As disclosed in Item 11, “Hillwood Permitted Activities” (including “Excluded Opportunities”) are not required to be, and generally are not, offered, allocated or made available to the Funds, and any such opportunities generally are or may be allocated or offered exclusively to, and pursued and consummated exclusively by, us and our affiliates outside of the Funds. See “Allocation of Investment Opportunities” in Item 11 for more information.

In addition, there may be conflicts between an investment entity of a Fund and an investment entity of any other fund, vehicle or account managed or sponsored by us or an affiliate or any other affiliated funds or accounts or non-advisory clients. For example, an investment entity of a Fund, non-advisory client or other entity or vehicle or venture managed, sponsored, controlled or operated by us or our affiliates may be a competitor of, or otherwise compete with, one or more of another Fund’s or client’s investment entities.

Additionally, certain employees and personnel of us and our affiliates have or may have family members, spouses, or relatives that are actively involved in industries, markets, sectors and other areas in which our clients and other vehicles invest or have business, personal, financial or other relationships or interests with companies in such industries and sectors (including the advisors and service providers described herein) or other industries, which may give rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies, entities or assets which are actual or potential investments of our clients or accounts or other counterparties of our clients and their investments or assets. Moreover, in certain instances, a client or an investment or property owned or held by such client can be expected to purchase or sell entities, ventures, vehicles, properties, assets or investments from or to, or otherwise transact with, companies or entities that are owned by such

family members or relatives or in respect of which such family members or relatives have other involvement or interests.

## **SERVICE PROVIDERS**

We engage common service providers for ourselves as well as the Funds and other clients, vehicles and ventures managed, advised and/or sponsored by us and our affiliates. In such circumstances, there may be a conflict of interest between us and the Funds or our clients or ventures in determining whether to engage such service providers, including the possibility that we may favor the engagement or continued engagement of such service providers if we receive a benefit from them (such as lower fees) that we would not receive absent the engagement of such service provider by one or more Funds or clients. Further, service providers to us and our affiliates and one or more clients often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by us or our affiliates differ from those required by clients and their investments, us and our affiliates will pay different rates and fees than those paid or borne by clients.

A Fund's or client's service providers and vendors (including the administrator, accountants, attorneys, lenders, consultants and others) and their affiliates provide or may provide goods or services to, or have business, personal, financial, economic and/or other relationships or arrangements or relations with us, our principals or personnel, direct or indirect beneficial owners or employees of us or our affiliates, related persons, officers, employees, direct or indirect owners and agents of the foregoing and/or their affiliates. Such service providers and vendors (or affiliates thereof) may be investors in a Fund and/or other funds or vehicles managed or sponsored by us, sources of investment opportunities, advisory clients, prospective advisory clients or co-investors or commercial counterparties or entities or issuers in which we and our personnel have investments or relationships. Additionally, certain employees and agents of us and our affiliates have or may have family members or relatives employed by or associated with service providers and vendors. These and other relationships and facts may influence or be deemed to influence us in deciding whether or not to select or engage or recommend service providers and vendors to perform services for, and/or engage in activities with respect to, our clients.

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our supervised persons. Our code of ethics is primarily designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to the Funds, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information and the circulation of rumors and other forms of market abuse and address conflicts of interest that could arise from personal trading by our access persons. The code sets forth formal policies and procedures with respect to the personal securities trading activities of our access persons. Among other things, access persons generally are required to pre-clear certain public and private personal securities transactions, report all securities transactions on at least a quarterly basis and provide us with a summary of the securities holdings on at least an annual basis. Our code also addresses outside activities of certain supervised persons, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of gifts, the reporting of certain gifts and business entertainment items and the pre-clearance and reporting of political contributions. All supervised persons must annually confirm that they have read and understand our code of ethics and compliance manual, including the personal securities trading policy. A copy of our code of ethics will be made available to clients upon request.

### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

We act as investment adviser with respect to various Funds (and may in the future act as investment adviser with respect to one or more additional pooled investment vehicles or separately managed accounts) and clients that have or may have overlapping investment objectives and may present potential for conflicts of interest with respect to various clients. Therefore, there may be circumstances in which investment opportunities that are consistent with a client's investment objectives overlap with those of one or more of our other clients and/or us and/or our affiliates. As an adviser registered under the Advisers Act, we generally are required to resolve conflicts of interest on a fair and equitable basis under the circumstances. In allocating investment opportunities, we generally will take into account various factors including (but not limited to) the terms of the applicable governing and offering documents, which business area or investment vehicle sourced the opportunity, the size of the investment opportunity, the various investment objectives of the different clients, the nature of the other potential acquirers, target rates of return, diversification considerations, risk profile, available capital and expected holding periods. The methodology for determining whether to allocate an investment either to a client or one or more other clients or affiliates, and the factors taken into account in determining such allocation, will likely vary over time and on a case-by-case basis. Any such allocation, and any joint participation involving multiple clients or affiliates, will be in accordance with the applicable governing and/or offering documents and applicable law.

#### US Clubs

Until the earlier to occur of (i) the expiration or termination of the investment period of Club IV or Club V, as applicable, or (ii) the time that eighty percent (80%) of the aggregate capital commitments have been committed to a "mandate investment" (as such term is defined in the partnership agreement of Club IV or Club V, as applicable), we are required to allocate and make available to Club IV (and its subsidiaries) or Club V (and its subsidiaries), as applicable, all North American industrial real estate investment opportunities (including opportunities sourced by, or available to, us or our affiliates) that we reasonably believe meet the "investment parameters" and risk profile of Club IV or Club V, as applicable (as defined in the partnership agreement of Club IV or Club V, as applicable) (other than certain "Hillwood Permitted Activities" (as defined in the partnership agreement of Club IV or Club V, as applicable) and that comply with the "investment restrictions" and the "leverage restrictions" (as such terms are defined in the partnership agreement of Club IV or Club V, as applicable) (a "US Fund Qualifying Opportunity"). Prior to the expiration or termination of the investment period of Club IV or Club V, as applicable, neither we nor any of our affiliates will have the right to acquire, invest in or otherwise obtain an interest (direct or indirect) in any US Fund Qualifying Opportunity outside of Club IV or Club V, as applicable, unless approved by supermajority consent of the LP advisory board of Club IV or Club V, as applicable. Fund II and the Companion Fund are outside of their investment periods and do not generally participate in the allocation of new investment opportunities.

However, if we or our affiliates are presented with a US Fund Qualifying Opportunity that falls within the investment objective of both Club IV and Club V, in such circumstances and notwithstanding anything to the contrary in the

preceding paragraph, Club V will allocate such US Fund Qualifying Opportunities (including any related co-investment opportunities) to Club IV on a priority basis to the extent Club IV is able to make and acquire the entire investment in such US Fund Qualifying Opportunity in accordance with the Club IV partnership agreement.

Pursuant to the partnership agreement of each US Fund (including Club IV and Club V), “Hillwood Permitted Activities” are not required to be, and generally are not, offered, allocated or made available to the US Funds, and any such opportunities generally are or may be allocated or offered exclusively to, and pursued and consummated exclusively by, us and our affiliates outside of the US Funds or any other client. “Hillwood Permitted Activities” include, among other things, any North American industrial real estate opportunity that we or an affiliate desires to pursue: (a) that requires less than \$10 million of equity; (b) that has an intended hold period of less than 2.5 years; and (c) with respect to which we or an affiliate does not invest with a capital partner (such opportunities defined as, “Excluded Opportunities”). Any opportunity that we deem in our discretion, but subject to certain restrictions, to be an Excluded Opportunity, or that in our judgment fails to meet the risk parameters of a Fund (*i.e.*, a “non-Qualifying Opportunity”), is not required to be (and generally is not) offered or allocated to any US Fund, and our affiliates will have the right, but not the obligation, to invest in any such opportunity on its own balance sheet and outside of the US Funds. Our affiliates have made and invested in Excluded Opportunities and “non-Qualifying Opportunities” in the past, and we expect them to continue to do so in the future. Without limiting the generality of the foregoing, “Excluded Opportunities” have historically included those investments, properties or assets which (i) we believe to have risks that are inappropriate for the Funds, (ii) are in markets with questionable institutional liquidity, or (iii) have investment horizons that are expected to exceed the term of the US Funds. Our affiliates may invest in other types of Excluded Opportunities in the future.

We are responsible for determining whether any investment opportunity is a Qualifying Opportunity and/or may be deemed to be an “Excluded Opportunity”, and such determinations involve conflicts of interest. Investors and clients are reliant upon our discretion and determinations with regard to whether any opportunity is or may be deemed to be a Qualifying Opportunity or an Excluded Opportunity. For example, we have an incentive or may be incentivized to classify an opportunity as an Excluded Opportunity or a non-Qualifying Opportunity and allocate such opportunity to us or our affiliates instead of making such opportunities available to the US Funds or other clients. Such decisions and determinations with respect thereto are inherently subjective and give rise to conflicts of interest to the inherent biases in the process (including a conflict in deciding or determining whether a particular opportunity fits the definition of Excluded Opportunity). In the event that our affiliates do not elect to invest or participate in any Excluded Opportunity, such opportunity may, but is not required to be, offered or made available to a US Fund or one or more other clients or funds.

#### EU Clubs

With respect to each EU Club, until the earliest to occur of (i) the expiration or termination of the investment period or (ii) the time that eighty percent (80%) of the aggregate capital commitments have been committed to “mandate investments” (as such term is defined in the governing and/or offering documents of such EU Club), we or the general partner generally are required to make available to such EU Club and its subsidiaries, as applicable, all industrial real estate investment opportunities located in Europe (excluding the United Kingdom) (including opportunities sourced by, or available to, us and our affiliates) that we or the general partner reasonably believes meet such EU Club’s “investment parameters” (as such term is defined in the applicable offering and/or governing documents) (other than certain “Hillwood Permitted Activities”) and that comply with the “investment restrictions” and the “leverage restrictions” (each as defined in the applicable governing and/or offering documents) (a “EU Club Qualifying Opportunity”). Except as otherwise provided in the applicable governing and offering documents, prior to the expiration or termination of the investment period of the applicable EU Club, neither we nor any of our affiliates will have the right to acquire, invest in or otherwise obtain an interest (direct or indirect) in, any EU Club Qualifying Opportunity outside of the EU Clubs, as applicable, unless approved by supermajority consent of the LP advisory committee of such applicable EU Club; provided, however, if the applicable EU Club(s) is offered the right to acquire a EU Club Qualifying Opportunity in a country in Europe (excluding the United Kingdom) outside of Poland or Germany, and the LP advisory committee of the applicable EU Club does not approve such EU Club’s acquisition of such EU Club Qualifying Opportunity with supermajority consent of the LP advisory committee, then we or any of our affiliates may acquire, invest or otherwise obtain an direct or indirect interest (i) in such EU Club Qualifying Opportunity and/or (ii) in any other EU Club Qualifying Opportunities located in that country in Europe (excluding

the United Kingdom) (i.e., outside of Germany or Poland), without restriction. Europe Fund I is outside of its investment period and does not generally participate in the allocation of new investment opportunities.

Notwithstanding the foregoing, in the event that we or our affiliates identify or are presented with EU Club Qualifying Opportunities that fall within the investment objective of EU Club II and EU Club III, then such EU Club Qualifying Opportunities (including any related co-investment opportunities) will be allocated to EU Club II on a priority basis until the earlier of (i) October 1, 2021 or (ii) the date when 80% of the aggregate capital commitments of EU Club II and UK Club II have been expended, committed, placed or reserved for future liabilities; provided that (A) the remaining available aggregate capital commitments of EU Club II and UK Club II are sufficient to support the acquisition of 100% of the applicable EU Club Qualifying Opportunity, (B) EU Club II's acquisition of such EU Club Qualifying Opportunity will comply with EU Club II's investment and leverage requirements, and (C) the development, stabilization and/or sale of such EU Club Qualifying Opportunity, if applicable, is reasonably anticipated to be completed by the expiration of the initial term of EU Club II. As a result, we generally intend to allocate to EU Club II 100% of an investment opportunity outside the United Kingdom that falls within the investment objective of both EU Club II and EU Club III (to the extent the remaining capital commitments are sufficient to support the acquisition of 100% of the applicable EU Club Qualifying Opportunity and subject to the restrictions, limitations and guidelines set forth in the applicable governing documents).

Similar to the US Funds and pursuant to the governing documents of each EU Club, "Hillwood Permitted Activities" (as such term is defined in the governing documents of each EU Club) are not required to be offered or allocated or made available to any EU Club and our affiliates have the right, but not the obligation, to make or consummate such investments outside of the EU Clubs. With respect to the EU Clubs, "Hillwood Permitted Activities" includes, without limitation, any industrial real estate opportunity in Europe but outside of Germany or Poland that we or an affiliate desires to pursue: (a) that requires less than ten million Euro (EUR 10,000,000) of equity; (ii) that has an intended hold period of less than 2.5 years; and (c) with respect to which we or an affiliate does not invest with a capital partner ("EU Club Excluded Opportunities"). While our affiliates have not invested outside of the EU Clubs in any EU Club Excluded Opportunities to date, we have identified such opportunities in the past and it is possible that our affiliates will invest outside the EU Clubs in EU Club Excluded Opportunities from time to time in the future.

#### UK Clubs

With respect to each applicable UK Club, until the earliest to occur of (i) the expiration or termination of the investment period or (ii) the time that eighty percent (80%) of the aggregate capital commitments have been committed to "mandate investments" (as such term is defined in the governing and/or offering documents of such UK Club), we or the general partner generally are required to make available to such UK Club and its subsidiaries, as applicable, all industrial real estate investment opportunities located in the United Kingdom (including opportunities sourced by, or available to, us and our affiliates) that we or the general partner reasonably believes meet such UK Club's "investment parameters" (as such term is defined in the applicable offering and/or governing documents) (other than the "Hillwood Permitted Activities" (as such term is defined in the applicable governing documents)) and that comply with the "investment restrictions" and the "leverage restrictions" (each as defined in the applicable governing and/or offering documents) (a "UK Club Qualifying Opportunity").

In the event that we or our affiliates identify or are presented with UK Club Qualifying Opportunities that fall within the investment objective of UK Club II and EU Club UK, then such UK Club Qualifying Opportunities (including any related co-investment opportunities) will be allocated to EU Club UK on a priority basis until the earlier of (i) October 1, 2021 or (ii) the date when 80% of the aggregate capital commitments of EU Club II and EU Club UK have been expended, committed, placed or reserved for future liabilities; provided that (A) the remaining available aggregate capital commitments of EU Club II and EU Club UK are sufficient to support the acquisition of 100% of the applicable UK Club Qualifying Opportunity, (ii) EU Club UK's acquisition of such UK Club Qualifying Opportunity will comply with EU Club UK's investment and leverage requirements, and (C) the development, stabilization and/or sale of such UK Club Qualifying Opportunity, if applicable, is reasonably anticipated to be completed by the expiration of the initial term of EU Club UK. As a result, we generally intend to allocate to EU Club UK 100% of an investment opportunity that falls within the investment objective of both EU Club UK and UK Club II (to the extent the remaining capital commitments are sufficient to support the acquisition of 100% of the applicable investment opportunity and subject to the restrictions, limitations and guidelines set forth in the applicable governing documents).



Similar to the US Funds and the EU Clubs and pursuant to the governing documents of each UK Club, “Hillwood Permitted Activities” (as such term is defined in the governing documents of each UK Club) are not required to be offered or allocated or made available to any UK Club (or any other Fund) and our affiliates have the right, but not the obligation, to make or consummate such investments outside of the UK Clubs. With respect to the UK Clubs, “Hillwood Permitted Activities” includes, without limitation, any industrial real estate opportunity in the United Kingdom that we or an affiliate desires to pursue: (a) that requires less than ten million pounds (GBP 10,000,000) of equity; (ii) that has an intended hold period of less than 2.5 years; and (c) with respect to which we or an affiliate does not invest with a capital partner (“UK Club Excluded Opportunities”). While our affiliates have not invested outside of the UK Clubs in any UK Club Excluded Opportunities to date, it is possible that our affiliates will invest outside the UK Clubs in UK Club Excluded Opportunities from time to time in the future. Any reference in this brochure to “Excluded Opportunities” means Excluded Opportunities, EU Club Excluded Opportunities and/or UK Club Excluded Opportunities, as applicable and as the context otherwise requires.

### Employee Vehicles

Employee Vehicles typically invest in and through one or more of the Funds, SPVs, REITs, vehicles, ventures and entities managed, sponsored and/or established by us and/or our affiliates, in accordance with the terms set forth in the applicable governing documents of each Employee Vehicle. In particular, the governing documents of each Employee Vehicle typically will specify and describe each of the investments that will or may be made thereby, and the Employee Vehicles will not compete with any of the Funds for investment opportunities.

Please refer to the applicable governing documents of each Fund for detailed information regarding the allocation of investment opportunities with respect to such Fund.

### **CO-INVESTMENT OPPORTUNITIES**

Subject to the applicable governing documents, the general partner or managing member of a Fund generally may cause the respective Fund to co-invest with other entities (including one or more Employee Vehicles and our affiliates and related persons) so long as such arrangements do not materially adversely alter the economic or control rights of the limited partners set forth in the respective partnership agreement. With respect to any investment in which co-investors directly or indirectly co-invest with or alongside a Fund, any investment expenses and costs related to such investment generally will be borne by the Fund and such coinvestors in proportion to the capital invested by each in such investment or on such other basis deemed by us to be fair and equitable under the circumstances. Notwithstanding the foregoing, we may, subject to the terms of the applicable governing documents of a Fund, structure any co-investment opportunity such that the proposed coinvestors do not or will not bear or pay any costs or expenses associated with proposed investments that are not consummated and, in such event, a Fund may be required to bear and pay all of such expenses.

If a Fund provides the members of the general partner of the general partner of such Fund (the “Members”), or any of their affiliates, with the opportunity to co-invest with such Fund in the securities of, or provide equity financing to, any investment of such Fund, then such co-investment amount will be allocated among the Members and their respective affiliates, for their own account, *pro rata* in accordance with their capital commitments to such Fund; *provided, however*, that if one Member or its affiliate elects not to take or use any portion of its allocated co-investment amount, the other Member or its affiliate will have the right, but not the obligation, to pursue such portion. In the event that the total amount of the co-investment amount allocated to the Members under the terms of the partnership agreement of such Fund has not been taken or used by all or any of the Members, the Members generally may sell or syndicate to third parties such remaining amount, *pro rata* in accordance with their capital commitments to such Fund; *provided, however*, that if the Members agree, the entire remaining amount may be jointly sold or syndicated by the Members.

As disclosed herein, we and our affiliates have established, and expect to establish in the future, one or more Employee Vehicles to directly or indirectly invest in or alongside one or more of the Funds, SPVs, joint ventures, vehicles, entities and/or other persons managed, sponsored and/or controlled by us or our affiliates (including investments in or alongside entities or vehicles that are not advisory clients).

## **ADVISORY COMMITTEE; CONFLICTS OF INTEREST**

Each of the US Funds and the European Funds has established an advisory committee or advisory board (“Advisory Committee”) composed of various representatives of the investors in such funds. In addition to any other waiver, consent or approval rights of the Advisory Committee expressly set forth in the governing documents of such Funds, the general partner of such Fund (or the “alternative investment fund manager” with respect to Europe Fund I) generally is required to present to the Advisory Committee for its prior review and approval any transaction in which the general partner has a conflict of interest, and any matter that, with respect to the Advisers Act, would require the approval of the applicable Fund or the investors. If the Advisory Committee consents to or approves any such transaction or matter, the general partner may cause the Fund to engage in such transaction without seeking any other approval of the investors.

We generally are required to keep the Advisory Committee apprised of key business decisions concerning a US Fund or the European Funds, including, without limitation, prospective acquisitions, dispositions, and financings of portfolio investments in excess of twenty percent (20%) of aggregate capital commitments or subscriptions.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Our employees, personnel and affiliates own or may own or hold direct or indirect interests in various Funds, SPVs, Employee Vehicles and other vehicles, ventures and entities managed, sponsored and established by us and our affiliates, including co-investment vehicles. To the extent co-invest vehicles exist, such vehicles invest or may invest in or through one or more of the same investments as one or more of our Funds or other entities managed or sponsored by us or our affiliates.

Principal transactions are transactions (i) where an adviser, acting as principal for its own account, knowingly buys securities from, or sells securities to, a client and (ii) where an affiliate or controlling person of the adviser is acting in a principal capacity with clients of the adviser (*i.e.* where we or an affiliate cause a client to engage in a trade with one of our affiliates). Cross trades between Funds or other clients may be deemed to be principal transactions if we and/or our affiliates (including direct or indirect owners and control persons) own, in the aggregate, 25% or more of either Fund or client. Section 206(3) generally prohibits an investment adviser from engaging in a principal transaction unless such adviser (i) makes written disclosure to the client of the capacity in which it is acting and (ii) obtains the client’s consent to the transaction. We generally will not engage in a principal transaction with respect to any of the Funds unless we obtain the prior approval of the applicable Advisory Committee (in accordance with the provisions set forth in the applicable governing document or offering memorandum) or the client.

Employee Vehicles frequently acquire interests in various entities, vehicles, ventures and investments from our affiliates or otherwise invest in entities managed, sponsored, controlled and/or advised by us and our affiliates, and some or all of such transactions may be deemed to constitute principal transactions. For example, an Employee Vehicle may invest in a particular vehicle or venture by acquiring all or part of the interest in such vehicle or venture held by us or an affiliate. As a result, the governing documents of each Employee Vehicle typically include detailed information regarding the investments that will or may be made by such Employee Vehicle, and each investor in such Employee Vehicle is deemed to have consented to and approved each such investment (and transactions relating thereto) in connection with, and as a result of, its subscription for an interest in such Employee Vehicle.

Certain of our employees and related persons may acquire preferred interests or shares in various REITs established by the Funds to make and hold investments.

## **OTHER POTENTIAL CONFLICTS**

The legal and/or organizational, account or governing documents of a Fund or client, investment management agreements between us and each Fund or client and/or other agreements in respect of portfolio investments and assets establish complex arrangements among the parties, including between investors and the Funds and clients. Questions may arise from time to time under these agreements regarding the parties’ rights and obligations in certain situations, many of which may not have been contemplated at the time of the agreements’ drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there may not be a provision directly applicable to a situation. While we will construe the relevant agreements in good faith and in a manner consistent with our legal obligations, the interpretations adopted may not be, and need not be, the interpretations that are the most favorable to a Fund or its investors.

## Item 12: Brokerage Practices

### **BROKERAGE POLICIES**

We generally focus on making private investments in real estate and real estate related assets, which transactions typically are privately negotiated between us and the seller. Accordingly, the investment strategies we employ for the Funds do not generally involve securities transactions that require the use of a broker or other counterparty. However, we may from time to time cause a REIT subsidiary of a Fund to acquire (and ultimately dispose of) a small amount of publicly traded securities in order to generate “real estate” related income until such time as the actual real estate asset begins generating qualifying “real estate” income.

We or an affiliate generally has the sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or counterparty, if any, to be used to effect transactions. In placing each transaction for a Fund or REIT subsidiary involving a broker or counterparty, we will seek “best execution” of the transaction except to the extent we are permitted to pay higher brokerage commissions in exchange for brokerage and research services. “Best execution” means obtaining for a Fund or client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account various factors or considerations deemed relevant or appropriate in our discretion. In determining whether a particular broker or counterparty is likely to provide best execution in a particular transaction, we take into account all factors and considerations that we deem relevant or appropriate in our discretion including, among others, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker, and the quality of service rendered by the broker in other transactions.

To the extent consistent with achieving best execution, we may also consider other business a particular broker or counterparty has done with us or our affiliates, such as identifying investment opportunities, performing investment banking or banking services and providing services to our affiliates and personnel. We will at times “pay up” (pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker’s brokerage commission for brokerage and research services in accordance with the safe harbor set forth in Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker providing such brokerage and research services will receive a commission in excess of the amount of commission another broker would have received for effecting that transaction provided we determine in our discretion that such commission was reasonable in relation to the value of the research and brokerage services provided by a broker. Any such research could be broadly useful and of value to us in rendering advice to all or a material portion of our clients, or could be relevant and useful for the management of one or only a few client accounts, regardless of whether such account or accounts paid commissions to the broker through which the research service was provided. We will only make securities transactions that we in good faith believe are in the best interest of a client. A conflict of interest exists when a broker provides such research services, however, as we will have an incentive to favor such broker over others that charge lower commissions.

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

### **REVIEWS OF ACCOUNTS**

Certain of our executive officers generally conduct routine reviews of the Funds and their investments on at least a monthly basis (or more frequently in certain circumstances). With respect to accounting matters, the general partners or managing member of the Funds have each engaged an independent public accounting firm to conduct annual audits of such Funds.

As noted in Item 8 above, the general partner of each of the US Funds and the European Funds has established an “investment committee” and an “operating committee” with respect to such Fund. In general, the unanimous consent of the “investment committee” is required with respect to the acquisition and disposition of any portfolio investments and the consent of a majority of the “operating committee” is required with respect to various other matters relating to the US Funds and the European Funds.

In monitoring the performance of the Funds’ investments, we perform various levels of review. Among other items, we may consider: opportunities in the real estate market, inquiries regarding a specific asset, changes in an asset’s operating environment, changes in the debt market and changes in the customer of a real estate asset.

### **REPORTS**

We generally provide investors in the US Funds and the European Funds with quarterly unaudited financial statements (including a balance sheet, income statement and statement operations/capital), quarterly reports of business, operations and activities (including a summary of acquisitions and dispositions of mandate investments during the prior quarter and a description of certain transactions), and annual audited financial statements (including a balance sheet, income statement, statement of partners’ capital, summary descriptions of acquisitions and dispositions during the applicable year and a statement of distributions made to each partner during the last fiscal quarter of such year). Within forty-five (45) days after the end of each fiscal year, the general partner of each Fund delivers, or causes the Fund to deliver, to the investors notice of the investment value of each mandate investment as at the end of each fiscal year. After the close of each taxable year, we provide investors with any information relating to the US Funds that may be reasonably necessary to enable investors to prepare their U.S. federal income tax returns. If requested by an investor, the US Funds and the European Funds generally will use commercially reasonable efforts to deliver to such investor such other information reasonably available to us as the investor may require to comply with reporting requirements imposed by law. All reports to investors generally are written. In response to questions and requests and in connection with due diligence meetings and other communications, we may provide additional information to certain investors that is not distributed to other investors. Such investors may make investment decisions with respect to their investments in the funds based upon such information.

With respect to EU Project and the SPVs, we generally provide (or will provide) annual audited financial statements to investors and such other reports, notices and information set forth in the applicable governing documents. In general, all such reports are written.

With respect to each Employee Vehicle, we or an affiliate generally provide (or will provide or make available) periodic unaudited financial statements of such Employee Vehicle to investors and such other reports, notices and information set forth in applicable governing documents. All such reports are expected to be written.

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

### **THIRD-PARTY COMPENSATION**

Except as otherwise disclosed in this brochure or in the applicable offering or governing documents, we currently do not receive any economic benefit from a non-client for providing investment advice or other advisory services with respect to the Funds.

### **PLACEMENT AGENTS**

We or an affiliate have engaged, appointed and retained various third-party placement agents to act or serve as placement agent in connection with the offering of interests in certain of the Funds to prospective investors. We may in the future engage, appoint and retain one or more other placement agents or marketers in connection with the offering of interests in one or more of the Funds or other pooled investment vehicles established, sponsored and managed by us or an affiliate (including REITs through which the Funds make investments). As compensation for their services, such persons generally are or may be entitled to receive various types or forms of compensation or fees from us or our affiliates including, without limitation, the following: (i) a percentage of the management fees and/or performance-based compensation received by us or our affiliates in respect of referred investors, (ii) an allocation paid to us or our affiliates with respect to such investors and clients (or a portion thereof), (iii) a percentage of an investor's commitment to a Fund, or (iv) a flat fee, retainer payment and/or periodic retainer payments or amounts. Investors generally will not be charged any higher or additional fee as a result of such agreements or arrangements, but the applicable Fund generally will or may be required to pay or reimburse a placement agent for various out of pocket costs and expenses (such as travel expenses, meals, entertainment and other expenses) incurred by it in connection with its services with respect to a Fund (or such expenses or costs may alternatively be borne or paid, in whole or in part, by us or our affiliates). In every instance, all arrangements and payments of placement agent fees will be disclosed to applicable investors. The names of any placement agents or marketing firms engaged or retained with respect to the Funds are set forth in Section 7.B of Schedule D of Part 1A of Form ADV.

### Item 15: Custody

We generally are deemed to have custody of client cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. Accordingly, all client cash and securities are maintained at one or more qualified custodians, to the extent required by Rule 206(4)-2. With respect to the Funds and SPVs, the respective general partner generally is responsible for selecting qualified custodians, and it may change custodians at any time and from time to time without the consent of, or notice to, investors.

In general, and to the extent required by law, an independent public accounting firm conducts annual audits of each of the Funds and SPVs, and audited financial statements are provided to investors in such vehicles on an annual basis. Annual audited financial statements generally are provided by the general partner to investors in the Funds and the SPVs within 120 days after the end of each fiscal year (or as otherwise set forth in the applicable governing documents or required by applicable law).

Employee Vehicles are not subject to annual audits and therefore do not meet or rely on the audit exception set forth in Rule 206(4)-2(b)(4). Except as otherwise permitted by Rule 206(4)-2, all cash and securities of the Employee Vehicles are maintained at one or more qualified custodians. The managing member of an Employee Vehicle is responsible for selecting qualified custodians, and we have provided and will provide notice to investors in each Employee Vehicle regarding custodian arrangements. The qualified custodian sends an account statement, at least quarterly, to investors in each Employee Vehicle identifying the amount of funds and each security in the account at the end of the period and setting forth all transactions in the account during the period. We have engaged an independent public accounting firm to conduct a surprise examination with respect to the funds and securities of the Employee Vehicles pursuant to Rule 206(4)-2(a)(4). We may in the future elect to cause one or more of the Employee Vehicles to rely on or comply with the audit exception set forth in Rule 206(4)-2(b)(4).

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We and our Advisory Affiliates generally have discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf our clients, subject to the terms, limitations and restrictions set forth in the applicable governing documents (including the investment committees and the operating committees with respect to each applicable fund, as described in Item 8). We also have authority to determine the counterparty (if any) to be used for Fund and Employee Vehicle transactions and the negotiation of commission rates or other consideration to be paid by the Funds to such persons. Notwithstanding the foregoing, neither we nor any of our Advisory Affiliates may have discretionary power or authority to select investments on behalf of an SPV, subject to the terms of the governing documents.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Funds and the Employee Vehicles generally grants the general partner or managing member of a Fund or Employee Vehicle a limited power of attorney to enable the general partner to take various ministerial actions with respect to the Fund or Employee Vehicle on its behalf. The general partner or managing member of each fund has the authority to act on behalf of the Funds and the Employee Vehicles in connection with the acquisition and disposition of investments.

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

We do not exercise or have the authorization to exercise proxy voting authorization with respect to our clients. Rule 206(4)-6 under the Advisers Act requires every investment adviser who exercises voting authority with respect to client securities to adopt and implement written policies and procedures, reasonably designed to ensure that the adviser votes proxies in the best interest of its clients. Rule 206(4)-6 further requires an adviser to provide a concise summary of its proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to clients upon request. Lastly, Rule 206(4)-6 requires that each adviser disclose to clients how they may obtain information on how the adviser voted their proxies.

We currently do not advise our clients with respect to any publicly traded securities. As such, we do not currently exercise voting authority on behalf of clients. In the event that we (a) have proxy voting authority with respect to our clients and (b) are called upon to exercise such proxy voting authority, our policy will be to exercise reasonable care to ensure that proxies are voted in the best interests of our clients and we will adopt procedures reasonably designed to ensure compliance with such policy.



## Item 18: Financial Information

Not applicable.