

Item 1 – Cover Page

**Penwood Real Estate Investment
Management, LLC**

**One Financial Plaza
Hartford, CT 06103
860-218-6536**

March 31, 2011

This Brochure provides information about the qualifications and business practices of Penwood Real Estate Investment Management, LLC (“ADVISER”). If you have any questions about the contents of this Brochure, please contact us at 860-218-6536 and/or john.hurley@penwoodre.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Penwood Real Estate Investment Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Penwood Real Estate Investment Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting John Hurley, Managing Director, at 860-218-6536 or john.hurley@penwoodre.com.

Additional information about Penwood Real Estate Investment Management, LLC is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Penwood who are registered, or are required to be registered, as investment adviser representatives of Penwood.

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Item 4 – Advisory Business

A. *Advisory Firm*

Penwood Real Estate Investment Management, LLC (the “Adviser” and “Penwood”) is a Connecticut limited liability company founded in 2003 and has been registered as an investment advisory company with the SEC since 2005.

The Adviser is 100% owned and managed by Richard Chase, John Hurley and Karen Nista (the “Principals”).

B. *Advisory Services Provided*

The Adviser provides discretionary real estate investment advisory services to institutional investors. The Adviser currently has two active investment funds with a focus on investment in Southern California industrial real estate.

The services provided by Penwood include strategy formulation, acquisitions (sourcing, underwriting, structuring and negotiating potential investments), portfolio management (strategy oversight, reporting, compliance), asset management (day to day operations of the property companies, strategy implementation, leasing, valuations, dispositions), and focused client service, all with a focus on real estate investment.

C. *Tailored Advisory Services*

Penwood manages closed-end commingled real estate investment funds with investment strategies structured to meet the needs of institutional investors. The fund strategies are property-type specific and geographically focused.

D. *Wrap Fee Programs*

The Adviser does not participate in wrap fee programs.

Assets Under Management

Penwood currently manages two closed-end discretionary limited partnerships whose investors are composed of public pension plans. The amount of assets under management as of December 31, 2010 is:

	AUM US \$Million
Discretionary:	\$301.7
Non-Discretionary:	<u>\$0</u>
Total:	\$301.7

Item 5 – Fees and Compensation

A. Compensation

The Adviser is paid a base asset management fee which is calculated as a percent of assets under management and a performance based fee which is earned after certain partnership level limited partner returns have been realized. The specific manner in which fees are charged by the Adviser is established in the investor's written agreement with the Adviser.

The Adviser is paid a base fee on a percent of investor equity commitments during the investment period, generally 36-months, and on a percent of limited partner equity commitments committed by the investment fund to each investment thereafter (excluding any investment that has been sold and as the which a final liquidating distribution has been made). The base fee is paid quarterly in advance, commencing on the initial fund closing date and will be prorated for any partial period.

The Adviser also implements a performance based fee for each investment fund. The performance based fee is earned by the Adviser from cash available for distribution by the fund after the investors have earned a pre-specified internal rate of return ("IRR") with respect to their equity capital in the fund. If Penwood is paid a performance fee and the IRR to the investors subsequently drops below the pre-specified IRR, then Penwood would repay to the investors the amount of any previously-paid performance based fees required to make the payments retained by Penwood, if any, in accordance with the performance based fee agreement.

Fees are set by market conditions and as such are negotiable. All investors in each partnership will pay the same negotiated or set fee for that fund and applicable advisory agreement.

Investors may replace the Adviser with cause at any time.

B. Payment of Fees

The investors pay the base fee quarterly in advance, commencing on the initial fund closing date and will be prorated for any partial period.

All performance based fees are portfolio based and earned by the Adviser after the investors receive a return of their capital in addition to a pre-specified internal rate of return on that capital.

C. Other Fees

There are no other fees charged by the Adviser.

D. Payment of Fees in Advance.

The base fee is paid quarterly in advance.

E. Compensation for Sale of Securities or Other Investment Products

All forms of compensation are outlined in Item 5A.

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

The Adviser has no transactions involving side-by-side management.

Item 7 – Types of Clients

Penwood currently provides advisory services to public state retirement systems. The minimum acceptable investment amount is \$25 million. In special circumstances Penwood may waive the minimum acceptable investment amount, but in no event lower than \$5 million.

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

Penwood provides real estate investment advisory services with a geographic and property type focus. Each investment fund managed by the Adviser has a specific real estate investment strategy and a target return. Penwood's investment process is disciplined and incorporates rigorous underwriting and due diligence managed in detail by the Penwood team. The Adviser adheres to the focus provided by each fund's investment strategy. Real estate investment, however, does have inherent risks and the target returns are not guaranteed. Investors should be prepared to bear risk of principal.

With respect to investments in the form of real property owned by a Penwood managed investment fund, the fund will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. Each fund's investment strategy will involve a high degree of financial risk, and there can be no assurance that the fund's rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by the fund. The possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.

In addition, investments in real estate or interests in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors. Accordingly, there can be no assurance that the funds will be able to dispose of their investments in a timely manner and/or on favorable terms. Furthermore, there can be no assurance that there will be tenants or purchasers for the space ultimately developed.

Leverage

The Adviser expects to utilize a leveraged capital structure, in which case a third-party would be entitled to cash flow generated by such investments prior to an investment fund receiving a return. While such leverage may increase returns or the funds available for investment by an investment fund, it also will increase the risk of loss on a leveraged investment. The use of leverage involves a high degree of financial risk and may increase the exposure of a fund or its investments to factors such as rising interest rates or downturns in the economy. If a fund defaults on secured indebtedness, the lender may foreclose and the fund could lose its entire investment in the security for such loan. In addition, each fund obtains a subscription line of credit and reserves the right to obtain other recourse debt, any of which may subject other assets of that fund and the investors' capital commitments to risk of loss.

Environmental Considerations

The real properties acquired by each fund will be subject to federal and state environmental laws, regulations and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs.

Uninsured Losses

Each fund will maintain comprehensive liability, fire, extended coverage and rental loss insurance covering each of its properties, with policy specifications and insured limits which the Adviser believes will be adequate and appropriate under the circumstances given the relative risk of loss, the cost of such coverage and industry practice. There are certain types of losses, such as acts of war, hurricanes, floods, or seismic activity, which now or in the future may be uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. If an uninsured property loss or a property loss in excess of insured limits were to occur, a fund could lose its capital invested in the affected property, as well as the anticipated future revenues from such property. Under certain circumstances, the applicable fund or owning entity in which the fund invested might also be obligated to repay any mortgage indebtedness or other obligations related to the property. If an uninsured liability to a third party were to occur, the applicable fund or the owning entity in which the fund invested would incur the cost of defense and settlement with, or court ordered damages to, that third party.

Concentration of Investments

Each fund may at certain times hold a few relatively large (in relation to its capital) positions in particular properties with the result that a loss in any single property could have a material adverse impact on that fund. This possible lack of diversification may subject the investments of a fund to a more rapid change in value than would be the case if the assets of the fund were more widely diversified.

Term of Fund/Risk

The investments to be made by each fund are likely to be illiquid. Every Penwood investment fund expects to liquidate its portfolio within a moderate period of time. The prevailing interest rate climate or other general economic conditions at the time of such liquidation could materially affect each fund ability to liquidate its portfolio in a timely and profitable manner.

Limited Distributions

Every fund may not distribute income or gains to investors on a current basis. Accordingly, an investor may require funds from other sources to pay any Federal, state and local tax liability arising from such investor's share of the fund's taxable income or to satisfy other obligations of such investor. Investors do not have any right to redeem their Interests.

Reliance on the Adviser and Principals

The success of each fund will depend upon the Adviser and the Principals. Investors are not entitled to participate in the management of any fund's business. The Adviser and the Principals will be obligated to devote only such time to each fund's affairs as may be reasonably necessary to conduct the fund's business, which may be less than full-time. No assurance can be given that the Principals will continue to provide services throughout the life of each fund. None of the Principals has an employment contract with the Adviser or a fund, and neither the Adviser nor any fund will obtain insurance policies on their lives for the benefit of the investors. Should one of the Principals cease to serve in the capacity described in a fund's documents, the Adviser will attempt to assign other experienced professionals to replace them, but there is no assurance a suitable replacement could be found in a timely manner or at all.

Dependence on the Adviser's Methods

The investment results of each fund are substantially dependent upon the Adviser's investment program. Should the Adviser's expectations about the investments it makes on behalf of the fund and their performance be inaccurate, the investment results of a fund may be adversely affected.

Lack of Operating History

The Adviser was established in 2003 and each investment fund was established at or before the initial closing. Accordingly each has a limited operating history. Each fund is subject to all of the risks incident to the creation of a new business, including its lack of an operating history. Although the Principals have considerable experience in real estate investment, this

experience may not provide an advantage with respect to the specific investments that may be acquired by the fund.

Competition

Other entities, including private investment firms, institutional investors, fund and corporations, are engaged in the business of investing in real estate similar to the investment activities of the fund, many of which have vastly greater financial, analytical and other resources at their disposal. Those firms may be more diversified among investments than the fund.

Lack of Management Rights

Investors will have no opportunity to control the day-to-day operation, including investment and disposition decisions, of a fund. The Adviser will have sole and absolute discretion in structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of a fund. Acquisition decisions will be made by the unanimous consent of the Principals. Therefore, the Principals, if in agreement, will be able to effectively make all acquisition and disposition decisions. Consequently, the investors will not be able to evaluate for themselves the merits of particular investments prior to a fund making such investments.

Absence of Recourse to Adviser

Each fund agreement will limit the circumstances under which the Adviser (acting as investment adviser or as a member or manager in the general partner) can be held liable to the fund. As a result, investors may have a more limited right of action in certain cases than they would in the absence of this provision.

Failure to Fund Capital

If an investor defaults in the contribution of capital to a fund in accordance with its agreement, the Adviser may offer to other investors in that fund the option of electing to increase its aggregate commitment by an amount equal to the deficiency.

In addition, the fund will have all remedies at law and in equity, including, without limitation, the right to (i) suspend certain rights of the defaulting investor (including the right to receive distributions, which may be set-off or withheld, and the right to participate in subsequent investments), (ii) cause the defaulting interest to be redeemed at a discount to what it would have received if the fund's assets had been sold and the proceeds had been distributed in a liquidating capital transaction, and (iii) sue the defaulting investor.

A defaulting investor will remain obligated to that fund for the amount of its unpaid capital commitment and any fees and expenses owed pursuant to the fund agreement unless it either pays such amount to the fund or such amount is deducted from any amounts otherwise

distributable to such defaulting investor as set forth in the fund agreement and will be personally liable to the fund, the other investors and certain other persons with respect to incidental damages caused by such default, including all costs incurred by the fund or the Adviser in exercising any of the remedies set forth above. The breach by any investor of its obligations under the fund agreement will not release any other investor from its obligations under the fund agreement.

Liability for Return of Distributions

The investors may be obligated to return cash distributions previously received by them to the extent such distributions were made in violation of relevant laws and the investors knew of such violation. In addition, an investor may be liable under applicable Federal and state bankruptcy or insolvency laws to return a distribution made during the funds's insolvency.

Illiquidity of Investment in a Fund

Potential investors should be fully aware of the long-term nature of their investment in each fund. Fund interests have not been registered under the Securities Act or the securities laws of any state or other jurisdiction, and, therefore, are subject to statutory restrictions on transfer. In addition, transfer of fund interests is substantially restricted by the governing agreements for each fund. For all of these reasons, a market in fund interests is not likely to develop. Moreover, fund interests cannot be redeemed at the option of the investor. Because of the limitation on redemption rights and the fact that the fund interests are not tradable, an investment in the fund is an illiquid investment and involves a high degree of risk. Accordingly, a subscription for fund interests should be considered only by persons financially able to maintain their investment and who can afford a total loss of their investment.

Key Main Event

The limited partners have the right to terminate the investment period or dissolve the partnership upon the death, incapacity or bankruptcy of certain of the Principals.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Penwood or the integrity of Penwood's management.

A. Criminal or Civil Action

There are no such actions with respect to the Adviser or any of its Principals or other management persons.

B. Administrative Proceedings before a Regulatory Agency

There are no such proceedings with respect to the Adviser or any of its Principals or other management persons.

C. Proceeding before a Self-Regulatory Agency

There are no such proceedings with respect to the Adviser or any of its management persons.

Item 10 – Other Financial Industry Activities and Affiliations

A. & B. Other Registrations

Neither the Adviser nor any of its Principals or other management persons are registered, or have an application pending to register, as a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a registered representative or associated person of the foregoing entities.

C. Affiliations

Neither the Adviser nor any of its Principals or other management persons have any material relationship or arrangement with any entity or person listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner

4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

Item 11 – Code of Ethics

A. Code of Business Conduct

Penwood has adopted a Code of Business Conduct for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Penwood must acknowledge the terms of the Code of Business Conduct annually, or as amended.

Penwood's employees are required to follow Penwood's Code of Business Conduct. Subject to satisfying this policy and applicable laws, officers, directors and employees of Penwood and its affiliates may trade securities for their own accounts. The Code of Business Conduct is designed to assure that the personal securities transactions, activities and interests of the employees of Penwood will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Penwood's clients. In addition, the Code requires pre-clearance of many transactions, and, in certain instances, restricts trading. Employee trading is continually monitored under the Code of Business Conduct, and to reasonably prevent conflicts of interest between Penwood and its clients.

Penwood's clients or prospective clients may request a copy of the firm's Code of Business Conduct by contacting John Hurley.

B. Potential Conflicts of Interest

The Adviser acts as general partner in partnerships in which investors are solicited to invest. In addition, the Adviser, or an affiliate, may receive a performance-based allocation in its capacity as general partner to a partnership. This incentive allocation may create an incentive for Penwood to advise a partnership to make investments that are riskier or more speculative than would be the case in the absence of a performance-based allocation arrangement.

For each fund vehicle, the Adviser will provide for an advisory committee consisting of investor representatives. The Adviser will consult with the advisory committee on issues of interest and any potential conflicts of interest. Governance provisions will allow for the replacement of the Adviser with or without cause based on a vote of investors.

C. & D. Other Conflicts

The Adviser does not invest in recommended securities outside of the co-investment in the fund vehicles. Similarly, the Adviser or a related person does not recommend securities to its investors, or buy or sell securities for its investor accounts or funds, at or about the same time that the Adviser or a related person buys or sells the same securities for its own (or the related person's own) account or funds.

Item 12 – Brokerage Practices

The Adviser does not select or recommend broker-dealers for investor transactions and does not determine commission rates paid.

Item 13 – Review of Accounts

The Adviser provides discretionary real estate investment advisory services.

A. B. Review of Investor Accounts

Penwood actively manages its individual investments and as a result, the investments are continuously under review. Depending on the stage of development/redevelopment/

rehabilitation, the review is undertaken in conjunction with local property service providers, including engineers, architects, developer partners, general contractors, leasing agents, property managers, and/or sales agents. Stabilized asset operations are continuously under review as well. All assets are valued quarterly at which point formal hold/sell decisions are made (more frequently if warranted). The reviewers include the Principals and the Chief Financial Officer.

B. Reports

Audited financial statements (including a balance sheet, income statement, statement of cash flows, and statement of partners capital) are provided annually to all investors. On a quarterly basis, each investor will be furnished with an unaudited balance sheet, income statement and summary report on the investment, including descriptions of new acquisitions and dispositions. Each investor will also receive annual tax information necessary for timely completion of annual federal, state and local income tax returns. Penwood holds annual meetings with the investors to review the performance of the investments.

Item 14 – *Client Referrals and Other Compensation*

A. Other Compensation

The Adviser does not receive any economic benefit from anyone who is not a client for providing investment advice or other advisory services.

B. Client Referrals

The Adviser does not provide any economic benefit to any non-affiliated persons for client referrals.

Item 15 – Custody

In compliance with the Investment Advisers Act, the Adviser does not maintain custody of client assets.

Item 16 – Investment Discretion

Penwood usually receives discretionary authority within defined parameters from the client at the outset of an advisory relationship to select the identity and specific investments to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for each investment vehicle.

When selecting investments, the Adviser observes the investment policies, limitations and restrictions of the investment vehicles that it advises.

Investment guidelines and restrictions are clearly delineated in fund documents. For any deviation from the guidelines, the Adviser must obtain consent from the fund's investment advisory committee.

Item 17 – Voting *Client* Securities

The Adviser does not invest in securities that require proxy voting. The Adviser invests in private real estate investments and controls all major operating and investment decisions.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. Penwood does not collect fees six months or more in advance. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.