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**Form ADV, Part 2**

**Brochure date: September 2014**

This brochure provides information about the qualifications and business practices of Northwood Investors LLC (“NWI” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 212-573-0800 or [info@northwoodinvestors.com](mailto:info@northwoodinvestors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

## **Item 2 – Material Changes**

Since Northwood’s most recent filing of this brochure in March 2014, Northwood Securities, LLC (“NWS”), an advisor with indirect ownership by Northwood’s Chief Executive Officer Mr. John Kukral and Mr. Erwin Aulis, Northwood’s Chief Operating Officer, was founded and registered with the Securities and Exchange Commission effective August 2014. Please refer to Item 10 “Other Financial Industry Activities and Affiliations” for additional information addressing the relationship between Northwood and NWS.

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## **Item 4 – Advisory Business**

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

Northwood Investors LLC (“NWI”) is a privately-held investment advisor founded in 2006 by its President and Chief Executive Officer, John Z. Kukral. The principal owners of NWI are Mr. Kukral (individually and through related family entities as disclosed on Form ADV Part 1A), and Erwin K. Aulis, Chief Operating Officer of NWI.

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

NWI provides discretionary investment advisory services to the entities that comprise or co-invest alongside Northwood Real Estate Partners LP (“NREP”) and Northwood Real Estate Co-Investors LP (“NREC.” NREP and NREC are each a “Fund” and together the “Funds”). Each Fund is considered a client. The Funds are privately offered pooled investment vehicles that are structured as Delaware limited partnerships, each managed by a general partner which is an affiliate of NWI (the “General Partners”). Mr. Kukral and Mr. Aulis lead Northwood’s Investment Committee which is responsible for monitoring the performance and risks associated with the Funds’ investment strategies. Mr. Kukral maintains sole discretionary authority to make investment decisions on behalf of the General Partners.

The Funds invest in a broad range of real estate-related investment opportunities. These investments may be accomplished through the acquisition or funding of ownership interests in individual real estate assets, multi-property portfolios, joint ventures, operating companies, and public securities related to real estate or real estate-related companies. The Funds’ investments may be structured in various forms including equity, preferred equity, debt, participating debt, and other financial structures which are consistent with the Funds’ investment objectives.

NWI is responsible for originating and recommending investment opportunities to the Funds, monitoring, evaluating and making recommendations regarding timing and manner of disposition of Fund investments and other services as the Funds may reasonably request.

Affiliates of NWI (the “Property Management Affiliates”) provide property management services to the Funds’ investments in return for a fee, under contractual agreements which NWI believes in good faith are reasonably similar to those available from third-party property managers. Property management services include supervising, directing and controlling the day-to-day management and operations of the properties, hiring and supervising employees of the property and such other services as necessary to manage the property. The fees earned by the Property Management Affiliates for providing such services, net of expenses incurred to operate the Property Management Affiliates, are applied to reduce the Management Fees paid by the investors in the Fund on a dollar-for-dollar basis (See Item 5 “Fees and Compensation”). The Property Management Affiliates

include Northwood Hospitality LLC, Northwood Retail LLC, Northwood Office LLC and Northwood Residential LLC. Each Property Management Affiliate focuses on a specific real estate sector and employs personnel with relevant real estate experience. References to “NWI” throughout this Form ADV Part 2 may include NWI, the General Partners or the Property Management Affiliates depending upon the context.

Limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

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

NWI tailors its advisory services to the Funds only to the extent required to comply with the limitations on diversification, geography and leverage, as set forth in the governing documents of the Funds and their offering documents (the “Governing Fund Documents”). Investment advice is provided directly to each Fund and not individually to the limited partners of the Funds. The Funds are “evergreen” in structure, meaning there is no scheduled termination date. Limited partners are permitted to reduce their unfunded capital commitment to the Funds at certain intervals.

NWI may provide opportunities to co-invest in portfolio investments of the Funds. In allocating co-investment opportunities to applicable investors, NWI will consider factors such as capital available for investment by the Funds, other potential investments then being considered by the Funds, investment concentration with respect to the Funds, the liquidity needs and obligations of the Funds, the strategic value of a particular investor co-investing in the opportunity in question and similar items. The decision to open a specific investment to co-investments is in the sole discretion of NWI.

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

NWI does not participate in wrap fee programs.

### **E. Assets Under Management**

As of December 31, 2013, NWI managed \$4,025,253,182 on a discretionary basis, which is based on unaudited financial data and is subject to change. This amount represents the net asset value of the Funds and uncalled capital commitments as of December 31, 2013. As of December 31, 2013, NWI does not manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

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

NWI provides investment advisory services to each of the Funds pursuant to separate investment advisory agreements, which, along with specific Governing Fund Documents of the Fund, set forth in detail the fee structure relevant applicable to the Funds. The terms of the investment advisory agreements are generally established at the time of the formation of the applicable Fund.

NWI typically receives compensation from fees based on a percentage of assets under management, carried interest allocations and certain other fees or expenses related to transactions (see below). Investors should review all fees charged by Northwood and others to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their limited partners.

#### *Management Fees*

NWI is compensated for its advisory services through a management fee which is paid quarterly, in advance. The calculation of the management fee is determined by the investment advisory agreements between NWI and the Funds as well as the Funds' Governing Fund Documents. The management fee payable by NREP is based on an annualized percentage which ranges from 1% to 2% of one or more of the following: capital commitments, invested capital or unfunded capital commitments. The management fee payable by NREC is based on an annualized percentage which ranges from 1% to 2% of invested capital. Prospective investors should review the Governing Fund Documents for full disclosure of the management fees applicable to potential investments in the Funds. The management fee payable may be reduced in certain circumstances (as described below).

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

The management fee is also reduced by 100% of the Funds' share of any transaction fees, financing fees and other similar fees received by NWI in connection with actual or potential investment of the Funds. Property Management Affiliates may receive property management fees, leasing fees, construction fees and other similar fees from the Funds' investments in return for providing property management and related services (see also Item 4, Advisory Business). The Funds' share of property management fees and other fees earned by the Property Management Affiliates, net of out-of-pocket expenses incurred to operate such Property Management Affiliates, are applied as a 100% reduction of the management fees payable by the limited partners of the Funds.

### *Incentive Allocations*

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

In addition, NWI is subject to clawback provisions and is obligated to return to the limited partners any carried interest received by NWI if such compensation is greater than 25% of the profits (subject to the return of invested capital, pro rata return of expenses and 6% annualized preferred return on these amounts) over the course of certain time periods.

The Governing Fund Documents for each of the Funds contain the details of how the incentive allocations are calculated and details the foregoing provisions as they apply to each Fund.

### **B. Payment for Fees Incurred**

Management Fees may be paid from amounts contributed to the Funds by investors or withheld from investment proceeds. The Funds may also borrow to advance the Management Fee to NWI.

Carried interest is deducted and paid from distributions proceeds.

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

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

The General Partner and other NWI affiliates that invest in the Funds do not pay Management Fees, Carried Interest or Placement Agent Fees.

Each Fund, except as noted above, pays all expenses related to its own operations, including, but not limited to, organizational expenses, fees, costs and expenses directly related to purchasing, disposing of, financing, hedging, developing, negotiating, and structuring Fund investments, including costs of advisers, costs in connection with transactions not consummated, travel expenses, accountants and legal counsel, any brokerage commissions and custodial expenses, any insurance, indemnity or litigation expense, any taxes, fees or other governmental charges levied against the Fund, principal,

interest on and fees and expenses arising out of all borrowings made by the Fund, expenses associated with portfolio and risk management, including currency hedging, expenses of liquidating the Fund, expenses incurred in connection with any tax audit or investigation of the Fund, expenses associated with the Fund's administrative and reporting costs, including the Fund's annual meeting expenses, expenses of the Funds' Advisory Committee, financial statements, and tax returns.

The Funds may be responsible for reimbursing the cost of travel expenses related to Fund business. Such expenses may include NWI and its affiliated persons' coach or economy class airfare for domestic travel and for international destinations or other longer duration flights, business or first class airfare. Travel expenses for NWI and its affiliated persons may include expenses for private transportation, including chartered airfare, which is charged to the Funds based on the cost of equivalent first or business class commercial air travel unless the use of commercial airlines is not reasonable.

The recipients of this Brochure must refer to the detailed information found in each Fund's Governing Fund Documents for specific information about the fees that may be earned by Northwood and the fees potentially charged to the Funds.

NWI may enter into side letter or other similar arrangements with certain Fund investors that have the effect of establishing or otherwise benefiting such investor in a manner more favorable than the rights and benefits described in such Governing Fund Documents. Rights and benefits that are more favorable in any material respect may be afforded to limited partners based upon commitment levels and other factors. These rights and benefits include most favored nation status, advisory board designations, capacity and co-investment opportunities, investment restrictions, reporting requirements, tax considerations, and other terms and conditions.

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

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

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

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

Except as described in Section 5 C above, neither NWI nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As described in Section 5 A, NWI is eligible to receive Carried Interest as incentive compensation from the Funds. The fact that NWI is compensated based on a share of



capital gains on or capital appreciation of the assets held by the Funds may create an incentive for NWI to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

While NWI pursues the same investment strategy for both NREP and NREC, NREC will only receive an investment allocation to the extent the investment opportunity exceeds certain dollar thresholds, in accordance with the specific formulas set forth in the Governing Fund Documents. NREC's fee structure, which is based on a percentage of invested capital, may create an incentive to favor larger transactions, which could involve greater risks.

NWS, as disclosed further in Item 10, does not currently charge incentive or performance fees. Given that performance fees can be earned by NWI, a potential incentive exists to allocate public real estate investment opportunities to pooled investment vehicles for which NWI serves as Investment Advisor instead of NWS' clients that do not pay performance fees. Although the pooled investment vehicles for which NWI serves as advisor may invest in public real estate securities pursuant to their respective offering documents, the primary objective of such pooled investment vehicles is private real estate investments.

NWI provides corporate and administrative support services to NWS including, office space; utilities; and certain overhead. NWI and NWS operate as separately managed entities with separate investment committees and separate chief investment officers and will generally make investment decisions independent of one another. NWS and NWI have adopted and implemented policies and procedures intended to prevent or mitigate potential conflicts of interest with respect to common ownership, accounts with multiple fee arrangements, and the allocation of investment opportunities.

## **Item 7 – Types of Clients**

NWI provides discretionary investment advice to the Funds, which are privately offered pooled investment vehicles. Investors in the Funds include, pension plans, endowments, foundations, corporate and business entities, trusts, and high net worth individuals. NWI does not have a minimum account size, but the Funds have minimum capital commitments for investors, as specified in the Governing Fund Documents for each respective Fund, which may be waived at the sole discretion of NWI. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" or a "qualified purchaser" within the meaning set forth under the federal securities laws.

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

### **A. Investment Strategies**

The Funds invest in a broad range of real estate and real estate-related investment opportunities.

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

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

Northwood's investment process generally involves an initial review of each investment opportunity by one or more investment professionals under the supervision and direction of NWI's investment committee (the "Investment Committee"). NWI's Investment Committee, which is led by Mr. Kukral and Mr. Aulis, is responsible for reviewing and approving all investment decisions, including acquisitions, dispositions, potential structures and allocation between NREP and NREC. NWI generally meets weekly to discuss pending investment opportunities, discuss ideas and strategies for uncovering new investments. Investments which merit further consideration undergo a formal due diligence process after which the investment professionals prepare a formal Investment Committee memorandum which details their analysis, conclusions and recommendations. While all investment decisions require Mr. Kukral's approval, senior members of the Northwood team also serve on the Investment Committee.

NWI investment strategy usually includes management of the day-to-day operations of the Funds' investments by NWI's Property Management Affiliates in order to better align interests and drive value creation. The Property Management Affiliates are responsible for implementing business plans, and are held accountable for creating value. The execution of the business plans generally involve creating and/or monitoring budgets, leasing, marketing, capital expenditures, repositioning, and identifying and hiring appropriate personnel at the investment properties.

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

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

An investment in a Fund involves a high degree of risk, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund and for which the Fund does not represent a complete

investment program. There can be no assurance any Fund will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital. In addition, there can be no assurance that any Fund will be able to generate returns for investors or that returns will be commensurate with the risks of the Fund's investments. A Fund investment should only be made by persons that can afford a loss of their entire investment.

Real estate investments involve significant risks. Certain of these risks are summarized below. However, prospective investors should carefully consider all of the risks related to investing in a Fund that are set forth in the private placement memorandum or other offering document for the applicable Fund. These risks include changes in economic conditions, overbuilding, increased competition for tenants, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, natural disasters, increase in interest rates, fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, energy and supply shortages, various uninsured or uninsurable risks, the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war, natural disasters and other factors that are beyond the control of NWI. In addition, declining economic conditions may impair the ability to attract tenants and/or achieve desired rental rates and/or require unplanned expenditures on capital improvements. Additionally, decreased cash flow from tenants may result, which could adversely impact the value of such real estate investments.

#### *Market Conditions*

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

#### *Credit Market Risk*

Credit market conditions can adversely affect the financial conditions of the Funds' investments and the Funds' ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Funds could lose

both invested capital in and anticipated profits from the affected investments. Such marketplace events may cause a decrease in the availability of financing (and an increase in the interest cost) for leveraged transactions, which may impair the Fund's ability to consummate these transactions and may cause the Funds to enter into such transactions on less attractive terms.

### *Illiquid and Long-term Investments*

The Funds' investments will include debt and equity investments in real estate properties and real estate businesses for which no public market exists. Although the Funds' investments may generate some current income, the return of capital and the realization of gains, if any, from the Funds' investments will generally occur only upon the partial or complete disposition or refinancing of such investment. Generally, there will be no public market for the investments held by the Funds at the time of its acquisition. To the extent that the Fund's investments are not publicly traded, the Funds may be unable to liquidate the investment for a significant period of time and may be unable to do so at a profit.

### *Use of Leverage*

The General Partner expects to utilize significant leverage in connection with the Funds' investments. Although the General Partners will seek to use leverage in a manner they believe is prudent, such leverage will increase the exposure of the Funds' investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. Borrowings by the Funds have the potential to diminish returns (or increase losses on capital) to the extent overall returns are less than the Funds' cost of funds.

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

In addition, the Funds may need to refinance any outstanding debt as it matures. There is a risk that the Funds may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing loan agreements. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect the Funds' financial condition, cash flows and the return on its investments.

Because the Funds may engage in portfolio financings where investments are cross-collateralized or cross-defaulted, multiple investments may be subject to the risk of loss. As a result, the Funds could lose their interest(s) in performing investments in the event such investments are cross-collateralized or cross-defaulted with poorly performing or nonperforming investments.

Recourse debt, which the Funds reserve the right to obtain, may subject other assets of the Funds to the risk of loss, require Fund investors to contribute additional capital or cause the Funds' investments to be sold to satisfy such debt. Full or partial recourse debt may also limit the ability of the Funds to effect a debt restructuring at or prior to maturity of the debt.

The General Partner may also cause the Funds to incur partnership-level debt, such as debt resulting from bridge, subscription and asset-backed facilities. The General Partner will seek to incur and manage such facilities prudently; however, such debt exposes the Funds to refinancing, recourse and other risks. A decrease in the market value of any asset-backed facility entered into by the Funds would increase the effective amount of leverage and could result in the possibility of a violation of certain financial covenants pursuant to which the Funds must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the Governing Fund Documents, require the Funds' investors to contribute additional capital for such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of the Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of the Funds and could, if the value of its investments had declined significantly, cause the Funds to lose all or a substantial amount of its capital. Moreover, if additional Capital Contributions were required to satisfy such financial covenants this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of the Funds' portfolio. In the event of a sudden, precipitous drop in the value of the Funds' assets, the Funds might not be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Funds level debt facilities typically include other covenants such as, but not limited to, covenants against the Funds incurring or being in default under other recourse debt, including certain Partnership guarantees of asset level debt, which, if triggered could cause adverse consequences to the Funds if it is unable to cure or otherwise mitigate such breach.

### *Environmental Liabilities*

The Funds may be exposed to substantial risk of loss arising from Portfolio Investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various federal, state and local laws, ordinances, and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the

presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Funds' return from such investment. Environmental claims with respect to a specific Portfolio Investment may exceed the value of such investment, and under certain circumstances, subject the other assets of the Funds to such liabilities.

### *Risks of Acquiring Real Estate Loans and Participations*

Real estate loans acquired by the Funds may be at the time of their acquisition, or may become after acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that the General Partner may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by the Funds. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. In addition, certain of the mortgage loans in which the Funds may invest may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increase the risk of default at that time.

### *Mortgage Loans*

The Funds may invest in commercial mortgage loans, which are secured by multifamily or commercial property and are subject to risks of delinquency, foreclosure, and loss that are greater than similar risks associated with loans made on the security of single-family residential property. The Funds may also invest in mortgage-backed securities, which evidence interests in or are secured by a single mortgage loan or a pool of mortgage loans, with respect to residential or commercial property, as the case may be. Accordingly, the mortgage-backed securities in which the Funds may invest are also subject to all of the risks of the underlying mortgage loans.

The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower, but it may also be affected by a number of other factors including changes in laws or regulations, changes in economic conditions and the occurrence of uninsured casualty. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Certain of the mortgage loans in which the Funds invest may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. In the event of any default under a mortgage loan held directly by the Funds, it will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the profitability of the Funds. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on the anticipated return on the foreclosed mortgage loan.

#### *Mezzanine Investments*

Certain debt securities in which the Funds may invest typically will be subordinated to substantial amounts of senior indebtedness. The ability of the Funds to influence a borrower's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. Accordingly, the Funds may not be able to take the steps necessary to protect its investments in a timely manner or at all. In addition, certain debt securities in which the Funds may invest may not be protected by financial covenants, may have limited liquidity, and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The Funds' investments may be subject to early redemption features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Funds earlier than expected, resulting in a lower return to the Funds than projected. In many cases, the Funds' management of its investments and related remedies, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the senior lenders and contractual inter-creditor provisions. Accordingly, there can be no assurance that the Funds' rate of return objectives will be realized.

### *Limited Information*

NWI may not receive access to all available information to fully determine the origination, credit appraisal, and underwriting practices utilized with respect to investments or the manner in which the investments have been serviced and/or operated.

### *Bridge Financings*

From time to time, the Funds may make short-term, unsecured loans in anticipation of a future issuance of equity or long-term debt securities or other refinancing. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Funds' control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

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

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

### *Legal, Tax and Regulatory Risks*

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

### *Failure to Fund Capital Calls; Consequences of Default*

If a limited partner in the Funds fails to make a required capital contribution, and the contributions made by non-defaulting limited partners and borrowings by the Funds are inadequate to cover the defaulted capital contribution, the Funds may be unable to meet its obligations when due. As a result, the Funds may be subjected to significant penalties that could limit opportunities for investment diversification and materially adversely affect the returns of the limited partners (including non-defaulting limited partners).

### *Role of the General Partners, NWI and their Professionals*

Investors in the Funds place their entire commitments in the discretion of, and are dependent upon the skill and experience of, the General Partners and NWI under the



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

#### *Restrictions on Transfer of Interests and Withdrawal of Limited Partners*

Each limited partner must be prepared to bear the economic risk of an investment in a Fund for an indefinite period of time. A limited partner will not be permitted to assign, sell, exchange or transfer any of its interest, rights or obligations with respect to its interest in a Fund, except by operation of law, without the prior written consent of the General Partner, which consent may be withheld in the sole discretion of the General Partner. Except in extremely limited circumstances, voluntary withdrawals from the Funds will not be permitted.

#### *Potential Conflicts of Interest*

Investors should be aware that there will be occasions when the General Partners and their affiliates may encounter potential conflicts of interest in connection with the Funds. On any issue involving conflicts of interest, the General Partners and NWI will be guided by their good faith judgment as to the Funds' best interests. If any matter arises that a General Partner determines in its good faith judgment constitutes an actual conflict of interest, such General Partner may take such actions as may be necessary or appropriate to ameliorate the conflict (and upon taking such actions such General Partner will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law).

#### *Northwood Securities LLC*

Northwood Securities LLC, an affiliate of the Advisor, provides investment advisory services to investment vehicles, managed accounts and other investment arrangements that make investments in publicly-traded REITs and other real-estate related publicly-traded securities. The Fund may not pursue an investment opportunity as a result of the investing or trading activities of a vehicle or account advised by Northwood Securities, although such circumstances are not expected to arise frequently.

#### *Other Activities of Management*

NWI personnel will devote such time as shall be reasonably necessary to conduct the business affairs of the Funds in an appropriate manner. Northwood personnel may work on other projects, including other investment funds and, therefore, conflicts may arise in the allocation of management resources.

### *Effect of Carried Interest*

The existence of the General Partner's carried interest may create an incentive for the General Partner and/or NWI to make investments that are more speculative than would be the case in the absence of such performance-based compensation, although the General Partner's significant commitment to the Funds should tend to reduce this incentive. In addition, upon a withdrawal by a limited partner from the Funds (in limited circumstances) and upon the liquidation of the Funds, the General Partners may receive distributions of carried interest with respect to a distribution in-kind of non-- marketable securities. The valuation of such securities for such purposes will be determined by the General Partners as set forth in the Governing Fund Documents.

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

See 8 B above.

### **Item 9 – Disciplinary Information**

Neither NWI nor any supervised person has been involved since the inception of Northwood in 2006 in any legal or disciplinary event that would be material to a client or investor's evaluation of the NWI or its personnel.

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

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

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

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

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

#### **C. Material Relationships**

See the section titled "Advisory Business" under Item 4 above for a description of NWI's role in providing advisory services to the Funds.

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

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

None.

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

None.

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

NWI is affiliated with NWS, an affiliated investment adviser that provides global real estate securities portfolio management services on a discretionary basis primarily to U.S. institutional investors.

NWS provides discretionary investment advisory services on a continuous basis for clients in the form of separate accounts and sub-advisory services. NWS focuses on investing in publicly traded equity securities in the United States, Europe and Asia of companies whose business is to own, operate, develop and manage real estate. The primary emphasis is on real estate investment trusts ("REITs") or corporations that are "principally engaged" in the ownership, construction, management, financing or sale of residential, commercial or industrial real estate. "REITs" are defined as companies that are permitted by local regulations to avoid payment of taxes at the corporate level by paying out a substantial portion of income to shareholders as dividends. "Principally engaged" means that at least 50% of a company's revenues are derived from such real estate activities or at least 50% of the fair market value of a company's assets is invested in real estate.

NWI may not pursue an investment opportunity as a result of the investing or trading activities of a vehicle or account advised by NWS, although such circumstances are not expected to arise frequently.

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

None.

**5. Banking or thrift institution**

None.

**6. Accounting or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

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

None.

**D. Other Investment Advisors**

NWI does not recommend or select other investment advisors for the Funds.

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

**A. Code of Ethics**

NWI has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Rule”).

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

Our Code requires, among other things, that employees:

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

- Abide by the requirements contained in the Investment Advisers Act of 1940, as amended, and rules thereunder, as well as applicable provisions of the securities laws.

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

A summary of NWI's Code will be provided to any client or investor or prospective client or investor upon request.

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

NWI does recommend to clients, or buy or sell for client accounts, securities in which it has a material financial interest.

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

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

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

See 11.C.

### **Item 12 – Brokerage Practices**

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

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

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

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

NWI does not utilize research or other soft dollar arrangements.

**2. Brokerage for Client Referrals**

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

**3. Directed Brokerage**

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

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

Orders for the same security entered on behalf of more than one of the Funds will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating Funds. Each Fund participating in aggregated order would receive the average price and pay a pro-rata portion of commissions and any other expenses associated with the transaction.

**Item 13 – Review of Accounts**

**A. Periodic Review of Accounts**

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

**B. Review Triggers**

NWI investment professionals and the Property Management Affiliates review the Funds' investments on a regular and continuous basis.

**C. Reports to Clients**

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

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

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

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

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

NWI does not directly or indirectly compensate any person for client referrals.

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

NWI may retain third parties to serve as a placement agent for the Funds and may pay a fee for such services to solicit qualified investors for the Funds. Any fees payable to a placement agent will be paid by NWI, and under no circumstances will the Funds bear the fees payable to a placement agent.

## **Item 15 – Custody**

While NWI maintains custody of cash and securities held on behalf of the Funds with unaffiliated qualified custodians, NWI is considered to have custody over client assets. Since NWI is an SEC-registered investment adviser, it is subject to a number of requirements imposed by Rule 206(4)-2.

To comply with Rule 206(4)-2 and to provide meaningful protection to investors, each Fund's account is subject to an audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board at least annually. NWI distributes audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners in the Funds within 90 days of the end of its fiscal year, and upon liquidation will distribute audited financial statements prepared in accordance with generally accepted accounting principles to all investors promptly after the completion of such audit. Such audits will include any funds and securities that, as required by applicable law, are placed in custody with a qualified custodian.

## **Item 16 – Investment Discretion**

Typically, NWI provides investment advice to the Funds on a discretionary basis. An affiliate of NWI, usually the general partner, accepts discretionary investment authority for each Fund. Generally this discretion is subject only to the investment guidelines set forth in the Fund's governing agreements

## **Item 17 – Voting Client Securities**

To the extent that any Fund holds voting securities, NWI has the sole authority to direct the voting of such securities. The voting securities held by the Funds generally interests of privately held issuers. Unlike the limited voting rights attributable to publicly traded securities, the Funds generally have broad voting authority on a wide range of matters affecting these privately held issuers. NWI votes such interests, on behalf of the Funds, in the economic interests of the applicable Fund. When voting securities, NWI considers relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. A Fund may decline to vote proxies when NWI determines that the cost of voting the proxy exceeds the expected benefit to the Fund. Fund investors will be provided a copy of NWI's proxy voting policies and procedures upon request.

## **Item 18 – Financial Information**

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