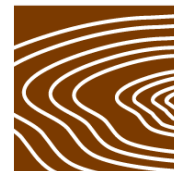


# NORTHWOOD

## I N V E S T O R S



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**Form ADV, Part 2A  
Brochure date: March 30, 2016**

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

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

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

## **Item 2: Material Changes**

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Since the last annual filing of its brochure in March 2015, Northwood reports the following material changes:

- Northwood's principal office and place of business was relocated from New York, NY to Denver, CO.
- Khaled Kudsi, Northwood's Senior Managing Director, became an equity holder of Northwood Investors LLC.

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

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

## **Item 4: Advisory Business**

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

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

The principal owners of Northwood are Mr. Kukral and Erwin K. Aulis, Northwood's Chief Operating Officer.

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

Northwood specializes in real-estate related investments. Northwood provides these services to its clients; all of which are privately-offered, pooled investment vehicles (collectively, the "Funds"). Northwood invests client assets into individual real estate assets, multi-property portfolios, joint ventures, operating companies, or the public securities of real estate-related companies. Investments may be made in various parts of the capital structure, including equity, preferred equity, debt, participating debt, and other financial structures which are consistent with clients' investment objectives.

Northwood is responsible for identifying, underwriting, and effecting investments for its clients. Northwood develops a comprehensive investment thesis and action plan for each investment opportunity. Northwood attempts to generate value for investors by implementing and managing that action plan through the constant evaluation and refinement of the action plan in light of changing conditions and opportunities. This evaluation process also includes making a best-effort determination as to the optimal timing and manner in which to exit investments.

In many cases, Northwood uses affiliated property management teams (the "Property Management Affiliates") to provide property management services for the investments Northwood has made on behalf of the Funds. Property management services include supervising, directing and controlling the day-to-day management and operations of properties, hiring and supervising employees of the property, and such other services as necessary to manage the property.

Property Management Affiliates provide these services for a fee, pursuant to a contractual agreement. Northwood believes the fees paid to the Property Management Affiliates for the services provided are commensurate with industry standards. 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.

Northwood recognizes conflicts of interest exist when using an affiliated service provider. The Funds' limited partnership agreements dictate that the terms of any engagement with an affiliate can be no less favorable to the Fund than it would be using a comparable, unaffiliated third party. Northwood believes the benefits of using affiliates outweigh the conflicts and has taken steps to mitigate concerns. The use of affiliates result in better alignment of interests, efficiencies in communication, focused number of properties under management, and economic reporting efficiencies. Conflicts that exist as the result of the Funds bearing the costs of compensating a Northwood affiliate are mitigated by limiting the affiliates' business focus of operating as a profit center and, more importantly, treating the net income of the Property Management Affiliates as a management fee offset for investors. This approach actually makes the use of affiliated service providers less costly than the use of unaffiliated service providers.

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

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

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

Northwood provides advisory services exclusively to privately-offered, pooled investment vehicles. Accordingly, Northwood only tailors its advisory services to comply with the requirements set forth in the governing and offering documents of the vehicles it manages. Investment advice is provided directly to each vehicle and not to the vehicles' individual investors. As such, investors do not have the ability to negotiate Northwood's investments to their individual needs.

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

Northwood does not participate in wrap fee programs.

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

As of December 31, 2015, Northwood managed approximately \$8,419,724,908 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 the uncalled capital commitments of the Funds' underlying investors.

Northwood does not manage any assets on a non-discretionary basis.

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

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

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

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

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

Generally, fees are not negotiable.

### **1. Management Fees**

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

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

The management fee is also reduced by 100% of the Funds' share of any transaction fees, financing fees and other similar fees received by Northwood or its affiliates in connection with actual or potential investment of the Funds. Property Management Affiliates receive property management fees, leasing fees, construction fees, and other similar fees from the Funds' investments in return for providing property management and related services (see *Item 4: Advisory Business*). The Funds' share of property management fees and other fees earned by the Property Management Affiliates, 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.

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

### **2. Carried Interest Allocations**

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

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

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

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

interest.

## **B. Collection of Fees**

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

Carried interest is deducted and paid from distribution proceeds.

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

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

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

Each Fund, except as noted above, pays all expenses related to its own operations, including, but not limited to, organizational expenses, fees, costs and expenses directly related to purchasing, disposing of, financing, 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, and tax preparation expenses (which includes the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to "FATCA" and Report of Foreign Bank and Financial Accounts), 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 incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions, all out of pocket fees, costs and expenses, if any, incurred in connection with legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including reporting on and compliance with Form PF), and reports, disclosures, filings and notifications prepared in accordance with the European Union Alternative Investment Fund Managers Directive), expenses of the Funds' Advisory Committee, financial statements, and tax returns.

The Funds are responsible for reimbursing the cost of travel expenses related to Fund business. Such expenses include Northwood 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 Northwood and its affiliated persons may include expenses for private transportation, including chartered airfare, which is charged to the Funds based on the cost of equivalent first or business class commercial air travel unless the use of commercial airlines is not reasonable.

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

#### **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 Northwood is terminated during a period covered by management fees paid in advance, Northwood would pro rate such management fee based on the number of days elapsed and refund the amount of the management fee allocable to the period subsequent to the termination date.

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

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

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

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

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As described in *Item 5: Fees and Compensation*, Northwood is eligible to receive Carried Interest as incentive compensation from the Funds. The fact that Northwood 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 Northwood 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.

Northwood generally pursues the same investment strategy for its Funds. Accordingly, the Funds' interests are typically aligned. Because its management fees are based on invested capital, however, Northwood may have an incentive to favor larger investment opportunities that would require additional capital from co-investors which would, therefore, expand the base of capital upon which management fees are assessed. Larger deals have the potential to create greater risk by limiting other investment opportunities and restricting the diversification of the Funds' holdings.

Practically speaking, however, this risk is mitigated by the substantial investment in the Funds' by Northwood and its affiliates. Further, the most substantive economic benefit to Northwood is largely dependent upon the success of investments, which drives Northwood's Carried Interest. Accordingly, pursuing riskier investments to increase the management fee base is most likely counterproductive to Northwood's economic interests.

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

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Northwood provides discretionary investment advice to the Funds, 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. Northwood 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 Northwood. Each investor is required to meet certain suitability qualifications, such as being an “accredited investor” and a “qualified purchaser” within the meaning set forth under the federal securities laws.

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

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### **A. Investment Strategies**

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

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

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

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

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

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

Northwood seeks to establish multiple exit options for each investment, including refinancing, partial or strategic sales, exchanges, and direct sales. Northwood believes that positioning an investment for multiple exit options enhances downside protection against inevitable shifts in demand or market

fluctuations and reinforces its objective of long-term value creation.

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

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

Investments in real estate involve multiple risks. Below, Northwood has summarized risks it believes primary to the type of investments it makes on behalf of the Funds and their underlying limited partners. The risks identified below, however, do not represent the entirety of risks a prospective investor should evaluate before making an investment in the Funds. Prospective investors should carefully review and consider all of the risks related to investing that are set forth in the private placement memorandum or other offering document for the applicable Fund.

### **1. Market Conditions**

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

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

The Funds' investments will include debt and equity investments in real estate properties and real estate businesses for which, often, 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 Funds' 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.

### **3. Use of Leverage**

Northwood expects to utilize significant leverage in connection with the Funds' investments. Although Northwood will seek to use leverage in a manner it believes prudent, such leverage will increase the exposure of 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.

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

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

#### **5. 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.

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

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

#### **7. Potential Conflicts of Interest**

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

#### **8. Valuation Matters**

There is no established market for private investment partnership interests, and there may not be any comparable companies for which public market valuations exist. Because there is significant uncertainty as to the valuation of illiquid investments, the values of such investments may not necessarily reflect the values that could actually be realized by the Funds, and the difference could be material. Under certain

conditions the Funds may be forced to sell investments at lower prices than they had expected to realize or defer – potentially for a considerable period of time – sales that they had planned to make. In addition, under limited circumstances, Northwood may not have access to all material information relevant to a valuation analysis with respect to an investment. As a result, the valuation of the Funds’ investments, and as a result the valuation of the interests themselves, may be based on imperfect information and is subject to inherent uncertainties.

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

## **9. Effect of Carried Interest**

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

## **10. Other Fees**

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

## **11. Allocation of Expenses**

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

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

investment).

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

## **12. Cybersecurity Risk**

The information and technology systems of Northwood and of key service providers to Northwood may be vulnerable to potential 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 Northwood has implemented various measures designed 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, it may be necessary for Northwood to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Northwood or Northwood Fund accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

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

See Item 8.B, above.

## **Item 9: Disciplinary Information**

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

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

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

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

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

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

### **C. Material Relationships**

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

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

None.

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

None.

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

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

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

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

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

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

None.

**5. Banking or thrift institution**

None.

**6. Accounting or accounting firm**

None.

**7. Lawyer or law firm**

None.

**8. Insurance company or agency**

None.

**9. Pension consultant**

None.

**10. Real estate broker or dealer**

None.

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

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

**D. Other Investment Advisors**

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

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

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**A. Code of Ethics**

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

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

Our Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, investors, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession and the interests of 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.

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

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

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

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

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

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

See Item 11.C. above.

### **Item 12: Brokerage Practices**

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

Northwood primarily invests in privately negotiated real estate transactions, with the brokerage terms of such transactions largely influenced by the counterparty and the availability of brokers capable of successfully executing such transactions. Northwood seeks to 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 Northwood selects a broker or dealer with respect to securities transactions, each executing broker or dealer will be selected on the basis of best execution of transactions.



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

Northwood does not utilize research or other soft dollar arrangements.

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

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

### **3. Directed Brokerage**

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

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

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

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

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

Northwood's investment professionals source, manage, and dispose of the Fund's real estate investments. Northwood's Investment Committee generally meets weekly to review and approve potential investment opportunities 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 Northwood investment professionals and members of the Investment Committee regarding the business plans for the Fund investments.

### **B. Review Triggers**

Northwood 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 statements annually, and such other information as is necessary for the preparation of tax returns.

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

Northwood also distributes special information to investors upon request. The content and format of these special requests varies based on the request. Certain investors have the right to obtain, or may request, information relating to a Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, Northwood generally will provide such investors with

the information requested. Accordingly, such investors may possess information regarding the business and affairs of a Fund that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

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

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

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

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

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

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

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

Northwood retains a placement agent to identify investors qualified to invest in Northwood's Funds. Any placement fees ("Placement Fees") will be borne by the Funds. Placement Fees will, however, reduce the Management Fee otherwise payable by the Funds on a dollar-for-dollar basis.

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

## **Item 15: Custody**

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

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

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

## **Item 16: Investment Discretion**

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

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

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To the extent that any Fund holds voting securities, Northwood 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. Northwood votes such interests, on behalf of the Funds, in the economic interests of the applicable Fund. When voting securities, Northwood considers relevant facts, which include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. A Fund may decline to vote proxies when Northwood determines that the cost of voting the proxy exceeds the expected benefit to the Fund. Fund investors will be provided a copy of Northwood's proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

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