



Item 1 – Cover Page

Penwood Real Estate Investment Management, LLC

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West Hartford, CT 06107
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March 30, 2023

This Brochure provides information about the qualifications and business practices of Penwood Real Estate Investment Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 860-218-6530 and/or joseph.koziol@penwoodre.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Penwood Real Estate Investment Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our brochure was March 30, 2022. We have made the following material changes: n/a.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Joseph Koziol, Chief Financial Officer/Chief Compliance Officer, at 860-218-6532 or joseph.koziol@penwoodre.com.

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

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	4
Item 7 – Types of Clients	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations	10
Item 11 – Code of Ethics.....	11
Item 12 – Brokerage Practices	12
Item 13 – Review of Accounts	13
Item 14 – Client Referrals and Other Compensation	13
Item 15 – Custody.....	14
Item 16 – Investment Discretion	14
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information	15

Item 4 – Advisory Business

A. *Advisory Firm*

Penwood Real Estate Investment Management, LLC (the “Adviser” and “Penwood”) is a Connecticut limited liability company founded in 2003 and has been registered as an investment adviser with the SEC since 2005. The Adviser is manager-managed, and the duly elected manager is Penwood Realty Advisers, Inc., a Delaware corporation (“PRAI”).

Both the Adviser and PRAI are 100% controlled by Richard Chase, John Hurley, Karen Nista, Joseph Koziol, Christine Kubas, and Zachary Flynn (the “Principals”), and the Principals are the sole directors of PRAI.

B. *Advisory Services Provided*

The Adviser provides discretionary real estate investment advisory services to pooled investment vehicles (“investment funds” or “funds”). The Adviser provides non-discretionary real estate investment advisory services to pooled investment vehicles (“non-discretionary funds”); however, the Adviser has no active non-discretionary funds. Additionally, the Adviser was approved for a non-discretionary separate account (“non-discretionary separate account”); however, no assets have been acquired on behalf of the account. The Adviser currently has five active investment funds focused on value-added real estate investment. Penwood’s value-add investment strategy includes the re-leasing, rehabilitation, development and sale of industrial properties in Southern California, Las Vegas and targeted Northeast markets and may also invest opportunistically in other geographic areas on a limited basis. Additionally, the Adviser has one active non-discretionary separate account focused on core real estate investment. The Adviser offers investment advice only with respect to real estate. The five active investment funds, and one active separate account are not investment companies, relying primarily on the exemption available under Section 3(C)(7) of the Investment Company Act. During its investment period, Penwood’s discretionary investment fund that is sourcing new investments has priority for all value-add investments in its target markets. Penwood only sources new investments for one investment fund at a time, sourcing for more than one investment fund with approval of the Investment Advisory Committees for each affected fund, removing any potential for sourcing allocation conflicts. There is a rotating allocation policy for any co-investment opportunities for the discretionary investment fund. Any non-discretionary fund and non-discretionary separate account investment acquisitions, declined by, determined as off-strategy, or beyond the discretion of the active investment fund, are offered according to the rotation allocation policy.

The services provided by Penwood include strategy formulation, acquisitions (sourcing, underwriting, structuring and negotiating potential investments), portfolio management (strategy oversight, reporting, compliance), asset management (day to day operations of the

property companies, strategy implementation, leasing, valuations, and dispositions), and focused client service, all with a focus on real estate investment.

Investors and prospective investors in the investment funds are requested to refer to the private placement memorandum for complete information.

Each of Penwood's non-discretionary funds and the non-discretionary separate account were established with an active limited partner of a discretionary fund.

Assets Under Management

Penwood currently manages five closed-end discretionary limited partnerships and one non-discretionary separate account. Penwood's discretionary regulatory assets under management, as of March 31, 2023, was approximately \$ 1.535 Billion. Penwood's non-discretionary regulatory assets under management, as of March 31, 2023, was \$0.0 Billion.

Item 5 – Fees and Compensation

A. Compensation

For the closed-end discretionary limited partnerships, the Adviser is paid a base advisory fee which is calculated as a percent of investor equity commitments during the investment period, generally 36 months, and thereafter on a percent of investor equity commitments invested in or committed to each investment (excluding any investment that has been sold and as to which a final distribution has been made). The base fee for the non-discretionary separate account is based on the greater of a set percent of net operating income or a set percent of the cost of the asset. The base fee is paid quarterly in arrears, commencing on the initial fund closing date, or in the case of the non-discretionary separate account, the asset acquisition date and is prorated for any partial period.

The Adviser is also paid a performance-based fee which is earned after certain partnership level limited partner, or separate account property level, returns have been realized. The fee is paid in the form of a carried interest held by the general partner in the fund, which is an affiliate of the Adviser. The specific manner in which fees are charged by the Adviser is established in each investment fund's or separate account's written agreement with the Adviser and is described in the applicable private placement memorandum. The performance-based fee is earned by the Adviser from cash available for distribution by the fund after the investor(s) have earned a pre-specified internal rate of return ("IRR") with respect to their equity capital in the fund or, in the case of the separate account, the investment. With the exception of the separate account, such fee is earned based on returns for the entire fund, not on returns for individual investments. In the unlikely event that Penwood is paid a performance fee and the IRR to the investors subsequently drops below the

pre-specified IRR, then Penwood would repay to the investors the amount of any previously-paid performance based fees required to make the payments retained by Penwood, if any, in accordance with the performance-based fee agreement.

Neither the base fee nor the performance-based fee is related to the interim values of the assets held in the applicable investment fund. The Adviser provides interim valuations as part of its fair value reporting to the investors in each fund, but it has no financial incentive related to such valuations.

Performance based fee arrangements may create an incentive for Penwood to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement.

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

B. Other Fees and Expenses

In addition to the fees payable to Penwood, subject to the investment fund documents, investors will pay or otherwise bear all fees, costs, expenses, and other liabilities arising in connection with its operation, including (but not limited to):

- any sales or other taxes, fees, or government charges that may be assessed against the fund or client;
- commissions, brokerage fees, and similar charges incurred in connection with the purchase or sale of fund investments;
- costs and expenses incurred in investigating, developing, negotiating, structuring, settling, monitoring, and holding portfolio investments (whether or not consummated), including travel, legal, tax, and accounting expenses therewith;
- market data costs; research-related expenses;
- the costs and expenses such as travel-related expenses, of holding meetings or conferences with fund investors (or other clients);
- costs of any investigation, administrative proceeding or regulatory matter, litigation and threatened litigation involving a client or a fund;
- indemnification obligations and expenses;
- expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, custodial, and registration services provided to a fund or a client;
- fees, costs and expenses, including premiums related to risk management services and insurance;
- costs of dissolving a fund or client's investment vehicle and liquidating its assets;
- costs and expenses for tax and audit services to a fund or client; fees, costs, and expenses related to the appraisal and valuation of the fund and its subsidiaries' assets;
- organizational expenses, including costs and expenses pertaining to the offering and sale of interests in a fund, related legal and other organizational payments and travel expenses.

Penwood may from time to time incur fees, costs, and expenses on behalf of more than one client or fund. To the extent such fees, costs, and expenses are incurred for the benefit of more than one fund, co-invest, or client, each such fund, co-invest, or client will bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which such expense relates (subject to the terms of each fund or client's governing documents). Penwood endeavors to allocate such fees, costs, and expenses on a fair and equitable basis. Please refer to the fund level documents for complete information on the expenses payable by advisory clients.

In accordance with fund documents, fees are deducted directly from the client accounts. The separate account fees are billed directly to the investor/account holder.

Aside from the base management fee and the fund level or property level (in the case of the separate account) incentive fee, there are no fees earned by the Adviser or its affiliates from the underlying investments or other services.

The investment advisory agreement between each fund or account and the Adviser may be terminated for cause at any time by the investors in the investment fund holding a majority-in-interest of the aggregate limited partnership interests in the fund.

Please see Item 12: Brokerage Practices.

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

The Adviser has no transactions involving side-by-side management. The five investment funds, and one separate account that Penwood advises have small differences, but they do not co-invest in properties with each other or purchase properties from each other, and conflicts between them generally would not arise. In the unlikely event that a conflict did arise, the Investment Advisory Committees for each affected fund would be presented with a proposal to mitigate the effect of such conflict.

Please see Item 5 for discussion of performance-based fees.

Item 7 – Types of Clients

Penwood currently provides advisory services to pooled investment vehicles. The minimum acceptable investment amount for a limited partner in a fund is \$25 million. In special circumstances Penwood may waive the minimum acceptable investment amount, but in no event lower than \$5 million.

Penwood currently provides advisory services to a non-discretionary separate account; however, no assets have been acquired on behalf of the account.

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

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

Risks

Investing in securities involves risk of loss that investors should be prepared to bear. Each potential investor should carefully review the applicable private placement memorandum for a complete discussion of the investment program for each fund and the associated risks.

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

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

Leverage

For fund investments, the Adviser expects to utilize a leveraged capital structure, in which case a third-party would be entitled to cash flow generated by such investments prior to an investment fund receiving a return. While such leverage may increase returns or the funds available for investment by an investment fund, it also will increase the risk of loss on a leveraged investment. The use of leverage involves a high degree of financial risk and may increase the exposure of a fund, or its investments to factors such as rising interest rates or

downturns in the economy. If a fund defaults on secured indebtedness, the lender may foreclose and the fund could lose its entire investment in the security for such loan. In addition, each fund obtains a subscription line of credit and reserves the right to obtain other recourse debt, any of which may subject other assets of that fund and the investors' capital commitments to risk of loss.

Valuation

Penwood values each real estate investment and debt on a quarterly basis in accordance with fair value accounting standards (including fair value accounting standards FASB ASC 820 Fair Value Measurements and Disclosures and applicable fair value standards and updates). The fair value of the Partnership's real estate investments will be determined each quarter based on an internal valuation or independent appraisal using real estate valuation techniques such as discounted cash flow analysis, direct capitalization, the comparable sales approach, and the cost of development approach in accordance with the valuation policy. Investments are written up or written down each quarter based on its fair value. An investment is typically held at its purchase price or cost for the initial quarter of acquisition. An independent appraisal will be completed for each real estate investment at least once every three years.

Environmental Considerations

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

Uninsured Losses

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

Concentration of Investments

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

Term of Fund/Risk

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

Limited Distributions

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

Reliance on the Adviser and Principals

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

Dependence on the Adviser's Methods

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

Lack of Operating History

Each of Penwood's investment funds and separate account was established at or before the initial closing of such fund or separate account, and accordingly each had a limited operating history at the time when a decision to invest was made. Each fund and separate account is subject to all of the risks incident to the creation of a new business, including its lack of an operating history. Although the Principals have considerable experience in real estate investment, this experience may not provide an advantage with respect to the specific investments that may be acquired by each fund or separate account.

Competition

Other entities, including private investment firms, institutional investors, funds and corporations, are engaged in the business of investing in real estate similar to the investment activities of Penwood's funds and may have greater financial, analytical and other resources at their disposal. Those other entities may also be more diversified among investments than the fund or separate account.

Lack of Management Rights

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

Notwithstanding the foregoing, for all non-discretionary funds or separate accounts, investors will have control over major investment decisions including purchasing, financing and eventually divesting investments.

Absence of Recourse to Adviser

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

Failure to Fund Capital

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

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

A defaulting investor will remain obligated to that fund for the amount of its unpaid capital commitment and any fees and expenses owed pursuant to the fund agreement unless it either pays such amount to the fund or such amount is deducted from any amounts otherwise distributable to such defaulting investor as set forth in the fund agreement and will be personally liable to the fund, the other investors and certain other persons with respect to incidental damages caused by such default, including all costs incurred by the fund or the Adviser in exercising any of the remedies set forth above. The breach by any investor of its obligations under the fund agreement will not release any other investor from its obligations under the fund agreement.

Notwithstanding the foregoing, in the event of a failure to make a capital contribution for any non-discretionary fund, the Adviser shall have the right, but not the obligation, to make a loan to the limited partner, or, subject to the terms of the agreement, the Adviser may have the right to initiate a sale of the investment.

Liability for Return of Distributions

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

Illiquidity of Investment in a Fund

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

Investors receive cash flow distributions, as available, quarterly and upon capital events.

Key Person Event

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

Cybersecurity Risk

Cybersecurity risks, including for example, denial of service attacks, ransomware, malware, and viruses, exist. Cyberattacks and other security events are a risk to both the Adviser and the investments, particularly if such events involve compromise of account credentials or the unauthorized access or disclosure of confidential information. A cyberattack could result in a number of strains or failures, including supply chain disruptions, any of which, especially if sustained for a lengthy duration, could eventually impact the valuation of investments. Cyberattacks on the Adviser could result in an increased likelihood of wire fraud, unauthorized disclosure of company, vendor, client, or investor information, or delays in closing on a transaction. The Adviser mitigates cybersecurity risks by utilizing third party service providers for cybersecurity and technology expertise, network security, data replication, and regular testing and training.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Penwood or the integrity of Penwood's management of the investment funds. Penwood has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Penwood is affiliated through ownership and control of the following entities:

- Penwood PSIP IV GP LLC, the sole general partner in Penwood Select Industrial Partners IV, L.P., one of the investment funds advised by Penwood;
- Penwood PSIP V GP LLC, the sole general partner in Penwood Select Industrial Partners V, L.P., one of the investment funds advised by Penwood;
- Penwood PSIP V Club GP LLC, the sole general partner in Penwood Select Industrial Partners V Club, L.P., one of the investment funds advised by Penwood;
- Penwood Fund VI GP LLC, the sole general partner in Penwood Select Industrial Fund VI, L.P., one of the investment funds advised by Penwood;

- Penwood PSIP VII GP LLC, the sole general partner in Penwood Select Industrial Partners VII, L.P., one of the investment funds advised by Penwood; and
- Penwood Realty Advisers, Inc., the duly elected manager of the Adviser.

Each of the GP entities disclosed above invests a percentage in the referenced investment fund.

The Adviser, the Principals, and other control persons with respect to the Adviser have no other material relationships.

Item 11 – Code of Ethics

A. Code of Business Ethics

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

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

Penwood's clients or prospective clients may request a copy of the firm's Code of Business Ethics by contacting Joseph Koziol, Penwood's Chief Compliance Officer.

B. Potential Conflicts of Interest

The Adviser acts through an affiliate as general partner in partnerships in which investors are solicited to invest. In addition, such general partner may receive a performance-based

allocation based on returns to the investors in the fund or investments in a separate account. This incentive allocation may create an incentive for Penwood to advise a partnership or separate account to make investments that are riskier or more speculative than would be the case in the absence of a performance-based allocation arrangement. The Principals invest in each fund through a General Partner interest and, in some instances, a non-voting class Limited Partnership interest.

For each investment fund, the Adviser will provide for an advisory committee consisting of investor representatives. The Adviser will consult with the advisory committee on issues of interest and any potential conflicts of interest. Governance provisions will allow for the replacement of the Adviser with or without cause based on a vote of investors. Principal transactions and cross transactions are not allowed. The Adviser does not engage in principal transactions and does not engage in cross transactions between clients.

C. Other Conflicts

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

Item 12 – Brokerage Practices

The Adviser does not select or recommend broker-dealers for investor transactions and does not determine commission rates paid. The investment funds do not invest in publicly traded securities and do not transact trades through broker-dealers.

The investment funds or their affiliates usually engage real estate brokers in connection with property sales and leases. Penwood has full discretion in selecting the appropriate real estate broker. Whenever a real estate broker is engaged, a written agreement is negotiated specifying the applicable commission, the conditions that must be satisfied to earn such commission, and the timing of payment. Penwood verifies that the commission is at a market rate and upon market terms before entering into such an agreement. The broker's agreement also details the services to be provided and the timing thereof in order to obtain best execution of the sale or lease. Penwood and its affiliates' arrangements with real estate brokers do not involve soft dollars or their equivalent.

Item 13 – Review of Accounts

The Adviser provides discretionary real estate investment advisory services solely to the investment funds and non-discretionary real estate investment advisory services solely to the non-discretionary separate account.

A. Review of Investor Accounts

Penwood actively manages individual investments within the funds and separate account and as a result, the investments are continuously under review. Depending on the stage of rehabilitation/redevelopment/development, the review is undertaken in conjunction with local property service providers, including engineers, architects, developer partners, general contractors, leasing agents, property managers, and/or sales agents. Stabilized asset operations are continuously under review as well. All assets are valued quarterly. Asset values and formal hold/sell decisions are reviewed and approved by the Investment Committee for the applicable fund or separate account. The Investment Committee includes the Principals.

B. Reports

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

Item 14 – Client Referrals and Other Compensation

A. Other Compensation

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

B. Client Referrals

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

Item 15 – Custody

The Adviser maintains custody of client assets as a result of its relationship to the general partner of the investment funds. The general partner establishes accounts with qualified custodians for each investment fund. In compliance with the Investment Advisers Act, monetary assets of the investment funds are held in deposit accounts or other accounts with PNC Bank, N.A. and City National Bank, and annual audit reports by PricewaterhouseCoopers with respect to such investment funds are provided to each investor. In accordance with fund documents, fees are deducted directly from the client accounts. For separate accounts, clients are billed quarterly in arrears.

Item 16 – Investment Discretion

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

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

Notwithstanding the foregoing, Penwood manages a separate account in which the major investor has control over major investment decisions including purchasing, financing and eventually divesting investments.

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

Item 17 – Voting Client Securities

The investment funds and separate accounts do not invest in securities that require proxy voting. The interests held by the investment funds and separate accounts are private real estate investments, and the investment funds or their affiliates have approval rights and certain control rights over all major operating and investment decisions.

Notwithstanding the foregoing, for non-discretionary fund and separate account investments, investors will have control over major investment decisions including purchasing, financing and eventually divesting investments.

Item 18 – Financial Information

Penwood does not collect fees three months or more in advance. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.