

**Part 2A of Form ADV: *Firm Brochure***

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This brochure, dated March 30, 2012 (this “Brochure”), provides information about the qualifications, investment strategies and business practices of Heitman Capital Management LLC and Heitman International LLC (together the “Firm”), investment advisers registered or deemed registered with the U.S. Securities and Exchange Commission (the “SEC”). Please note that SEC registration status does not indicate a particular level of skill or training of the Firm or its employees and that neither the SEC nor any state securities authority has approved this Brochure. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact Thomas McCarthy at 312.541.6744 or by e-mail at [thomas.mccarthy@heitman.com](mailto:thomas.mccarthy@heitman.com).

Additional information about the Firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number, or our firm’s name. The Firm’s CRD number is 105480.

## **Item 2    Material Changes**

The Firm is providing you with this Brochure in compliance with the SEC's disclosure rules, adopted in July 2010, under the Investment Advisers Act of 1940 (the "Advisers Act").

This Brochure provides a summary of the Firm's qualifications, investment strategies and business practices. Since last year's annual update, in reliance upon SEC guidance, Heitman International LLC, an affiliated investment adviser, has been designated as a "Relying Adviser" and is registered in reliance on the registration of Heitman Capital Management LLC. Several items in this brochure have been revised to reflect this development. Other than this change, no other material changes to the Firm's qualifications, investment strategies or business practices have occurred during the last year.

Any material changes to this Brochure and/or subsequent Brochures will be sent to you within 120 days of the close of the Firm's fiscal year. Any interim disclosures about material changes will also be forwarded to you as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	6
Item 6	Performance-Based Fees and Side-By-Side Management	8
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information	17
Item 10	Other Financial Industry Activities and Affiliations	17
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	18
Item 12	Brokerage Practices	20
Item 13	Review of Accounts	21
Item 14	Client Referrals and Other Compensation	21
Item 15	Custody	22
Item 16	Investment Discretion	23
Item 17	Voting Client Securities	24
Item 18	Financial Information	24

## **Item 4    Advisory Business**

### ***Background***

Heitman Capital Management LLC (“HCM”) became an SEC-registered investment adviser in 1980 and its principal place of business is located in Chicago, IL. Heitman International LLC (“HI”), an affiliate of HCM, was founded in 1999 and has been designated as a “relying adviser” based on SEC staff guidance. As noted on the Cover Page of this Brochure, SEC registration status does not indicate a particular level of skill or training of the Firm or its employees. HCM and HI (together, the “Firm”) conduct a worldwide advisory business managing real estate investments for pooled investment vehicles and separate account clients.

### ***Ownership Structure***

The entities controlling 25% or more of the Firm are:

- Heitman LLC (“HLLC”), Sole Member of HCM and HI

In addition, the following information identifies those entities that directly (“D”) or indirectly (“I”) own 25% or more of HLLC:

- KE I LLC, Member of HLLC (D);
- Old Mutual (HFL) Inc., Member of HLLC (D);
  - Old Mutual (US) Holdings Inc., 100% shareholder of Old Mutual (HFL) Inc. (I);
    - OM Group (UK) Limited, 100% shareholder of Old Mutual (US) Holdings Inc. (I); and
    - Old Mutual Plc, 100% shareholder of OM Group (UK) Limited (I).

The Firm engages principally in investment and management of real estate investments for institutional investors, either in separate account or commingled fund formats in North America and Europe. In connection with these activities, the Firm regularly provides investment advisory and portfolio management services.

### ***Other Related Entities***

Section 7.A of Schedule D in the Firm’s Form ADV, Part I, which is accessible by following the directions on the Cover Page of this Brochure, discloses entities that are subsidiaries, either directly or indirectly, of the Firm. This disclosure includes all registered investment adviser and broker-dealer affiliates. Other than the affiliate(s) disclosed in Section 7.A of Schedule D, other affiliates of Old Mutual (HFL) Inc. are not listed in this section because the Firm (i) has no business dealings with any of these advisers in connection with advisory services provided to our clients, (ii) does not conduct joint operations with any of these, (iii) does not refer clients or business to any of these advisers and the advisers do not refer prospective clients or business to the Firm (iv) does not share any supervised persons or premises with the advisers and (v) has no reason to believe that the relationship with any of these advisers creates a conflict of interest with our clients.

Further, the following affiliates of the Firm provide real estate recommendations:

- Heitman Kabushiki Kaisha
- Heitman Russia LLC

The Firm utilizes limited partnerships or similar pooled investment vehicles (the "Heitman sponsored funds" or "funds") for investment purposes principally for institutional investors. The Firm or one or more of its affiliates also act as general partner, manager, or in other similar capacities and serve as the investment advisers of these Heitman sponsored funds. The Firm provides each prospective investor in a Heitman sponsored fund with the fund's private placement memorandum, which contains information specific to that specific investment opportunity.

Investment funds (the "Funds") are sponsored by the Firm and its affiliates. Additionally, the Firm and its affiliates create other investment entities including limited partnerships or similar vehicles which are comprised of one or more investors but which are not organized as Funds ("Client Entities"). Similar to the Funds, the Firm and its affiliates may act as general partner, as managing member, or in a similar capacity and serve as the investment adviser for these Client Entities. These entities are created for the purpose of facilitating certain investments in real estate on behalf of one or a limited number of clients and are not pooled investment vehicles for multiple investors. These types of structures are common for real estate investments and are utilized for tax efficiency and limited liability reasons.

### ***Scope of Services***

When the Firm creates a new Fund, it determines the investment objectives and strategies that will be followed by the Fund, which are set out in the offering documents for the Fund. For separate account clients, the Firm establishes client investment goals and objectives utilizing an information gathering process designed to determine each client's individual investment objectives for capital appreciation, growth and income, tax considerations, time horizons, risk tolerance and liquidity needs. If appropriate, the Firm will also review each client's prior investment history. Other client preferences and investment objectives dictate whether the Firm manages their portfolios on a discretionary or non-discretionary basis.

Since the primary advisory services focus on investments in real estate and security interests in real estate, the Firm is able to create a portfolio mix from client to client based on individual strategies. Clients may impose reasonable restrictions on investing with respect to certain strategies, certain property types, or geographic areas. Some types of investments involve a degree of additional risk. The Firm will only implement or recommend higher risk investments when they are consistent with each client's stated investment objectives, tolerance for risk and liquidity.

The Firm provides continuous advice to its clients regarding their investments. The nature of the investment advisory service provided by the Firm relates to the acquisition, operation, sale of real estate investments and debt transactions secured by real estate. The advice may entail recommendations as to holding real estate through limited partnership interests, general partnership interests, joint venture interests, units in group trusts, interests in limited liability companies, equity interests in corporations (each of which may directly or indirectly own real estate), interests in comparable legal structures formed in jurisdictions outside the

United States, or a combination of any of the above. For private equity investments, the Firm and/or its affiliates also monitors the performance of property managers and joint venture operating partners.

Each client's investment guidelines are set forth in an Investment Management Agreement ("IMA") between the Firm and the client, and the Firm creates and manages an investment portfolio for the client based on these guidelines.

### ***Publication of Periodicals or Newsletters***

The Firm may provide publications prepared by the Firm or its affiliates to clients and other professional representatives or organizations, such as consultants. No fee is charged for such publications.

### ***Amount of Managed Assets***

As of December 31, 2011, the Firm actively managed \$8,983,882,908 of clients' assets on a discretionary basis and \$8,389,413,567 of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### ***Advisory Services Compensation***

For its services, the Firm may receive one or more of the following fees:

- An acquisition fee based on a sliding or a fixed percentage generally ranging from no fee to 1.5% of the amount invested which may include debt related to the acquisition of the property. Alternatively, the Firm may negotiate a fixed acquisition fee.
- A portfolio management fee based on a percentage of contributed capital, aggregate original investment costs, carrying values and/or a percentage of net operating income (before or after debt service). When such fees are based on contributed capital, original investment cost or carrying values, the fees generally range from 0.15% to 2% per annum. When the fees are based on net operating income (before or after debt service), the fees generally range from 3% to 9%. Alternatively, the Firm may charge a negotiated fixed portfolio management fees.
- A disposition fee based on a sliding or fixed percentage generally ranging from no fee to 1% of net proceeds, which may include proceeds used to retire debt. Alternatively, the Firm may negotiate a fixed disposition fee.
- Performance or incentive fees negotiated on an individual basis with the client, subject, if applicable, to the requirements of Rule 205-3 under the Advisers Act. Such fees are generally based upon the extent to which either realized or unrealized gains exceed either a national index or a predefined benchmark or hurdle. If unrealized gains are included, they are typically based upon either an internal or independent appraisal generally subject to a reconciliation based upon actual results.
- A financing fee, which generally ranges from no fee to 1%, based on a percentage of borrowing or refinancing of the property. Alternatively, the Firm may charge negotiated fixed financing fees.

- A development supervisory fee, which generally ranges from no fee to 0.5%, based on a percentage of actual gross construction costs.

The Firm and its clients negotiate all fees at or prior to entering into an IMA and each client's IMA identifies all applicable fees. Generally, the Firm will not collect compensation before providing a service, although one Fund currently pays fees quarterly in advance. The Firm invoices these fees to each client and, if applicable, to each client's custodian in accordance with the IMA. In certain instances, the Firm is permitted to directly deduct portfolio management fees from accounts on a quarterly basis generally in arrears. The Firm generally invoices transaction fees (acquisition, disposition or financing and performance or incentive) to the client and, if applicable, to the client's custodian at the time of completion of the respective transaction.

From time to time, the Firm may give advice with respect to the acquisition of stock of real estate companies and with respect to other securities and/or real estate. Fees for such advice and takeover portfolios are negotiable on a case by case basis.

As described in greater detail in Item 15 of this Brochure, the Firm establishes bank accounts as an agent for each client with unaffiliated financial institutions in order to administer investment activity for each client. As a result of this relationship and related activities, Rule 206 (4)-2 under the Advisers Act deems the Firm to have custody of funds in the clients' bank accounts.

### ***Limited Negotiability of Advisory Fees***

In addition to the fee(s) described above, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. The Firm considers each client's circumstances and needs in determining the fees applicable to each client. Examples of these factors include, among other things, the complexity of the client's investment strategy, the amount and type of assets to be acquired and managed and reporting requirements.

### ***Termination of the Advisory Relationship***

Either the client or the Firm may cancel an IMA for a separate account for any reason by providing written notice to the other party. Generally, the client must provide this notice no less than 30 days and the Firm must provide this notice no less than 90 days prior to the date of termination. In addition, investors in Firm sponsored commingled funds may terminate the Firm or such Fund's related investment advisers as the investment manager under the terms of each Fund's organizational documents. Upon termination of any account an accounting true-up will be completed to determine refunds required or amounts owed.

### ***ERISA Accounts***

The Employee Retirement Income and Securities Act ("ERISA") and the regulations under the Internal Revenue Code of 1986 (the "Code"), respectively, deem the Firm to be a fiduciary to its clients that are employee benefit plans or individual retirement accounts. As such, the Firm is subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation.

### ***Advisory Fees in General***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or dissimilar fees.

### ***Brokerage Fees or Costs***

Item 12 of this Brochure provides a detailed discussion of the Firm's brokerage practices and related cost or fees.

### ***Minimum Account Size***

The minimum dollar amount for establishing a separate account is generally \$300,000,000. The lowest minimum dollar amount for participating in one of the Firm's sponsored commingled funds is typically \$5,000,000.

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

As described in Item 5 of this Brochure, the Firm may receive a performance or incentive-based fee from its clients. Calculation of this performance or incentive-based fee is typically based on a share of capital gains on or capital appreciation of the assets of the client.

Clients should be aware that a performance or incentive-based fee arrangement may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those that the Firm may recommend under a different type of fee arrangement. In addition, due to the method of calculating incentive compensation which the Firm may be entitled to, the amount of such compensation may be affected by the timing of dispositions and other factors within the control of the Firm.

All potential investments are initially evaluated by senior management for the appropriateness for each client, taking into consideration such factors as risk profile, investment structure, geographic location, execution timing constraints, portfolio objectives and property type.

In the circumstance where a potential investment is deemed suitable for more than one client, and one of the accounts receives a performance/incentive fee, there could be an incentive to the Firm to invest on behalf of the client with the performance/incentive fee.

However, this potential conflict is mitigated by the Firm's investment allocation policy. The Firm maintains separate investment allocation lists for each type of investment strategy it executes where investment allocation is appropriate. Currently, the Firm executes investment risk strategies for clients that the industry defines as either core or value-added. In the event a potential investment is suitable for more than one client, the investment is allocated to the client holding the highest priority on the applicable allocation list. Every active client of the firm is chronologically ordered on the list based on length of elapsed time since the last investment for such client was made, with highest priority granted to the client next eligible on the list. Should an investment be allocated to a client but fail to close, the client will retain its position on the list. If a client that is non-discretionary is offered an investment and declines to pursue it, the client retains its position on the list, but after three such events, the client is placed at the end of the rotation.

## **Item 7    Types of Clients**

The Firm generally provides advisory services to clients who are:

- High net worth individuals;
- Pension and profit-sharing plans (other than plan participants);
- Charitable organizations, including foundations and endowments;
- Corporations or other businesses not listed above;

The Firm also provides advisory services to commingled investment vehicles (e.g., group trusts, funds, partnerships, limited liability companies, etc.) consisting of one or more of the above types of persons.

Item 5 of this Brochure discloses that the Firm has established certain initial minimum account requirements based on the nature of the service(s) it provides.

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

### ***Methods of Analysis and Investment Strategies***

The Firm's investment process begins with the establishment of investment strategies based on an understanding of market opportunities and the specific investment objectives of our clients as set forth in each client's IMA and prospectus of sponsored funds. Senior portfolio managers may work with the firm's research group to provide input on investment and diversification objectives of clients/funds. General investment priorities that match market opportunities with client objectives are then established. Our acquisition team pursues opportunities based on these guidelines.

Acquisition personnel prepare preliminary underwriting analyses for the various investment opportunities they are evaluating and this information is one of the factors considered when allocating the investment to either a client or a fund. Additional considerations to the aforementioned preliminary underwriting factors include that the potential acquisition must meet the client/fund investment objectives in terms of size, expected return, risk tolerance and geographic and property type diversification.

Once an allocation decision is made and taking into account seller requirements, a more detailed underwriting process commences conducted by the investment team assembled to pursue the investment. Participants include members of the acquisitions, portfolio management, research and closing due diligence groups. The Firm employs both a bottom-up as well as a top-down approach to evaluating investment opportunities. From the bottom-up the Firm completes a quantitative and qualitative analysis of the real estate and its local market. This includes a review of the projected return on investment (cash flows, going-in yields, IRR, etc.), stability of cash flows (lease roll-over, capital expenditures), re-financing risk (if any), investment amount versus replacement cost, market supply and demand and competitive position in the market. This analysis also includes performing a stress test on various underwriting assumptions, such as: rental growth rates, occupancy, capital expenditures, real estate taxes, insurance expense, initial market rents, exit capitalization rate,

lease-up timing and interest rates. Assumptions are varied to isolate their impact on the property's return.

From the top-down, the Firm evaluates capital market conditions including monitoring general liquidity and pricing momentum, interest rate movements, projected economic growth and other macro trends in each region of the world and for each of the respective property types. If the negotiations with a seller lead to an agreement in principle, a letter of intent is typically entered into between the parties. The letter is non-binding but outlines the salient terms of the agreement to sell and purchase and is viewed as an indication of intent. Once a letter of intent is executed, the investment team prepares and submits its investment brief to the Investment Committee of HCM or HI, as applicable, for its review and consideration. The brief includes an investment underwriting analysis and valuation which includes base, pessimistic and optimistic case underwriting scenarios for the investment as well as stress tests of these models. We believe this helps focus the review on the investments merits, strengths and weaknesses and the bottom-up and top-down analysis provides a solid foundation for a conclusion to be reached as to whether to include the investment in a client or fund's portfolio. Material also includes portfolio diversification analysis and weightings per fund or separate account. The Firm's Investment Committees must formally approve all acquisitions, dispositions, refinancings and other major decisions pertaining to an investment.

Once a property becomes a part of a client's or fund's portfolio, the Firm's portfolio management teams take on primary responsibility for the execution of the business plan. The portfolio management process is a collaborative endeavor. The portfolio manager, asset managers and financial reporting team are all involved in the ongoing asset management function which includes coordinating each of the disciplines required to manage the individual assets within the client's portfolio such as property managers and leasing specialists, auditors, researchers, engineers and construction professionals, joint venture partners, legal and due diligence specialists.

Portfolio management team responsibilities include:

- **Development of Annual Business Plans:** For each investment, the portfolio manager prepares an annual business plan which is comprised of strategic and operational objectives and implementation tactics in order to execute the investment's business plan that was established at acquisition. The plan includes key operating goals for the investment such as financial projections and sources and uses of cash. In collaboration with research, the portfolio manager also provides an overview of market conditions relevant to the property and how they may contribute or deter from achieving the original investment objectives.
- **Guidance, Review and Approval of Annual Operating and Capital Budgets:** Annual operating and capital budgets are prepared by third-party property management and leasing personnel with guidance from the portfolio manager. These budgets provide the annual operating parameters for the third-party managers to follow when making decisions related to leasing, operating and managing an asset including any potential capital improvements.

- **Property Valuations:** The portfolio manager coordinates the preparation of market valuations for each investment in the portfolio. This involves managing the external valuation process administered by independent appraisal firms and/or completion of internal valuations. The portfolio manager is responsible for recommending final market values to the Firm's Valuation Committees. These Committees must review and approve all proposed asset value changes. As part of the portfolio management process, each property is reviewed quarterly for significant events affecting value. Approved market values are then incorporated into the net asset value calculations and performance reports submitted to clients.
- **Hold/Sell Analysis:** The Firm's goal is to maximize portfolio return for our clients and funds while striving to minimize risk. This means that when an asset's business plan has been executed at the property or investment level, and market conditions are conducive to exit at acceptable or better-than-acceptable returns, the asset should be sold. On at least an annual basis, the portfolio manager prepares a hold/sell analysis for each asset. In seeking the optimal time for disposition, the Firm's approach involves both a qualitative and a quantitative analysis of the asset and its market. The hold/sell analysis typically includes a review of the following factors:
  - Business plan achievement
  - Currency and tax considerations for offshore investors
  - Diversification and/or allocation benefits of investment in portfolio
  - Environmental and physical issues
  - Equity and debt capital structure considerations
  - Going forward IRR compared to 10-year Treasuries and Baa Bonds
  - Holding period compared to original anticipated holding period
  - Market supply and demand and competitive position in the market
  - Replacement cost compared to the Firm's current estimate of value
  - Since inception IRR through most recent valuation and through continued ownership
  - Stability of cash flows (lease rollover, capital expenditures)
  - Status of venture partner (if applicable)
  - Third party opinion of value (either a broker opinion of value or appraisal) compared to the Firm current estimate of value
  - Total returns in comparison to investment and portfolio benchmarks

All unsolicited offers are evaluated and may in and of themselves trigger an update to a hold/sell evaluation. If the analysis confirms that it is appropriate to sell an asset and the portfolio manager agrees, the portfolio manager prepares a marketing brief which is submitted to the Firm's Investment Committees for review and approval. The brief sets out the portfolio management team's rationale for recommending that an asset be sold as well as the estimated terms that can be expected from a sale process. If the recommendation is approved by the respective Investment Committee, the Portfolio Manager works with the Due Diligence and Closings Group to effectuate property sales beginning with identifying the appropriate third party marketing agent to effect the exit from the asset. The portfolio manager is also responsible for securing a client's written approval, if necessary, to complete a sale. Contract terms vary depending on market conditions, but exits from the portfolio typically can be implemented within 90-120 days. The Portfolio Management team will

reserve sufficient sale proceeds to meet known and unknown future obligations of the title holding entity, including but not limited to, accounts payable, legal fees and claims reserves, reserves to cover potential claims under any contractual representations and warranties and reasonable unspecified reserves for a reasonable period of time. All documentation will be negotiated by third party legal counsel retained to represent the particular client or fund.

### ***Third-Party Property Management and Operating Partners***

The portfolio manager supervises the property management firms that manage the assets within their portfolios including hiring and firing (if necessary) to ensure they meet the Firm's standards. The Firm does not have an affiliated property management company; all investments are managed by third-party property managers and, in the case of joint ventures, by the property management affiliates of the joint venture partner. The portfolio manager visits properties and meets with property managers on a regular basis. The portfolio manager actively manages the asset by focusing on such factors as performance of the property compared to expectations and related benchmarks, compliance with provisions of the property management agreement, physical condition and maintenance of the property and responsiveness and knowledge of the property manager.

### ***Risk of Loss***

An investment in real estate involves significant degrees of risk some of which are outlined below.

- **General Risk of Real Estate Investments:** Investments in real estate are subject to the risks generally incidental to ownership and operation of income-producing real estate. Real estate values are affected by a number of factors, including: (i) the illiquidity of Investments; (ii) the possibility that cash generated from operations will not be sufficient to meet fixed obligations; (iii) changes in economic conditions affecting real estate ownership directly or the demand for real estate; (iv) changes in the macro economic climate within the US and globally; (v) the need for unanticipated expenditures in connection with environmental matters; (vi) changes in real estate tax rates and other operating expenses; (vii) adverse changes in laws, governmental rules (including those governing usage, improvements, zoning and taxes) and fiscal policies; (viii) acts of God, including earthquakes and fire (which may result in uninsured losses); (ix) environmental and waste hazards; (x) energy and supply shortages; (xi) uninsured losses or delays from casualties or condemnation; (xii) risks from operating problems arising out of the presence of certain construction materials; (xiii) structural or property level latent defects; (xiv) local conditions (such as an oversupply of space or a reduction in demand for space); (xv) the quality and philosophy of management; (xvi) competition based on rental rates; (xvii) attractiveness and location of the properties and changes in the relative popularity of commercial properties as an investment; (xviii) financial condition of tenants, buyers and sellers of properties; (xix) quality of maintenance, insurance and management services; (xx) changes in interest rate levels and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; and (xxii) other factors that are beyond the Firm's control. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

- Deterioration of Credit Markets and Volatility:** Events in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. These forces resulted in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. These factors, combined with volatile commodity prices and foreign exchange rates, have contributed to recessionary economic conditions globally and a resultant loss of investor confidence in the financial system, which has resulted in a historically unprecedented lack of liquidity and decline in asset values. The deterioration of the global credit markets has made it more difficult for financial sponsors to obtain favorable financing for their investments. The Firm's ability to generate attractive investment returns may be adversely affected to the extent the Firm is unable to obtain favorable financing terms for its clients' real estate investments. These conditions have also had an adverse impact on the availability of credit to businesses generally and have led to an overall weakening of the U.S. and global economies. The global recession could adversely affect the investments and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Similarly, the global recession could also adversely affect the financial resources of tenants of the investments and their ability to make rent payments. In the event of such circumstances, the Fund could lose both invested capital in and anticipated profits from the affected investments.
- Third Party Involvement:** In some cases, the Firm on behalf of its clients invests in Partnerships formed for the purpose of investing in real estate. Such investments may have shared or limited control with respect to such investments. As a result, those investments may involve risks not present in other types of Investments where a third party is not involved, including the possibility that: (i) the Firm on behalf of the client and the operating partner may reach an impasse on a major decision that requires the approval of both parties; (ii) an operating partner may at any time have economic or business interests or goals that are inconsistent with those of the client; (iii) the operating partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the operating partner may be in a position to take action contrary to the client's investment objective; (v) the operating partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances the clients may be liable for actions of its operating partners. In addition, the client may rely upon the abilities and management expertise of an operating partner. Actions taken by those persons may subject the client's investment to liabilities in excess of, or other than, those contemplated by the client. It may also be more difficult for the client to sell its interest in the investment. The operating partner may have joint approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could delay the execution of the business plan for the investment or require the client to engage in a buy-sell of the venture with the operating partner or conduct the forced sale of such investment. As a result of these risks, the client may be unable to fully realize its expected return on any such investment.

- **Failure to Meet Targeted Returns:** Investments are made based on the Firm's estimates or projections of internal rates of return, cash on cash returns and other similar metrics, which in turn will be based upon various factors, including projections of future growth rates and interest rates of applicable markets, development and redevelopment and/or operating costs, rental and lease-up rates of commercial properties and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of the investments may differ from the projections of the Firm and may differ materially. Clients have no assurance that the investments made by the Firm will achieve targeted total returns on investments.
- **Environmental Risks:** Under various laws, ordinances and regulations of the jurisdictions in which the Firm operates, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the client's return from such investment. An owner or operator of a facility may also be required to comply with various laws, ordinances and regulations regarding the handling, production, storage, use, discharge, or disposal of regulated materials.

Prior to purchasing an interest in any property, the Firm reviews a Phase I environmental assessment prepared by an independent environmental consultant. A Phase I assessment typically includes an inspection of the property and a review of public records but no sampling of soil, surface water, groundwater, or other media. If the Phase I assessment reveals cause for concern, the Firm may direct the consultant to conduct further investigation of environmental risks associated with the property, including sampling. No assurance can be given, however, that either a Phase I assessment or subsequent investigation will reveal all potential environmental liabilities and properly assess their scope.

- **Harmful Mold and Other Air Quality Issues:** When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the clients' properties could require the clients to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or

other airborne contaminants could expose a client to liability from tenants, employees of tenants and others if property damage or health concerns arise.

- **Risky and Illiquid Investments:** Investments made in real estate are likely to be risky and illiquid. Such investments may be unsecured and subordinated to material amounts of senior indebtedness. The Investments may not be protected by financial covenants or limitations upon additional indebtedness. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their sale. Dispositions of investments also may be subject to contractual and other limitations on transfer (including prepayment penalties with respect to property-level debt) or other restrictions that would interfere with the subsequent sale of such Investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist and clients must be able to bear the consequences of such loss. Even if the investments are successful, they may not produce a realized return for an unspecified duration of time.
- **Leverage:** In some situations, the investments made will employ leverage in connection with the initial acquisition. The percentage of leverage used will vary depending on the estimated stability of the investment's cash flow, as well as on market conditions. To the extent that changes in market conditions cause the cost of financing to increase relative to the income that can be derived from an investment, the amount leveraged may be reduced. While the use of leverage may enhance returns and increase the number of investments that can be made, it will also increase the risk of loss. As an investment incurs indebtedness, it will become subject to the risks associated with debt financing, including the risks that available funds will be insufficient to meet required payments and that existing indebtedness will not be able to be refinanced or that the terms of that refinancing will not be as favorable as the terms of existing indebtedness. To the extent that an investment is unable to meet required debt service payments, such investment, and possibly the client, risks the loss of some or all of their assets.

The use of leverage involves a high degree of financial risk and will increase the exposure of the client and the investments made on behalf of such client, to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investments. In addition, debt financing may restrict the amount of funds available for distribution to clients.

- **Capital Expenditures:** Although the Firm, in its management, valuation and underwriting of potential investments, will provide good faith projections of the short to medium term capital needs of such investments, there can be no assurance that the capital needs of any of the properties in which clients invest from time to time will not exceed such estimates or that a property will generate sufficient cash flow to cover its capital needs.
- **Casualty Losses; Uninsurable Losses:** Comprehensive casualty insurance will be maintained on the real estate investments, including liability and fire and extended coverage, in amounts sufficient to permit replacement in the event of a total loss,

subject to applicable deductibles. The Firm will endeavor to obtain coverage of the type and in the amount customarily obtained by owners of properties similar to the real property that it acquires in the future. There are certain types of losses, however, generally of a catastrophic nature, resulting from, for example, earthquakes, floods, hurricanes, pollution, environmental matters, wars, riots, nuclear reactions and terrorist acts, which may be uninsurable or not economically insurable. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums which can greatly increase the total costs of casualty insurance for a property. As a result, investments might not be insured against terrorism. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the investment properties pledged as collateral for loans and other factors also might make it economically impractical to use insurance proceeds to replace improvements on a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received, if any, might not be adequate to restore the investment with respect to the affected property. If a major uninsured loss occurs, the Fund could lose both invested capital in and anticipated profits from the affected Fund investments.

- **Interest Rate Risks:** Investments in real estate result in exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of investments (e.g., interest rate changes may affect, among other items, the cash flows of an investment directly and the cost of leverage).
- **Litigation:** In the ordinary course of its business, owners of real estate may be subject to litigation from time to time. The outcome of such proceedings may adversely affect the value of an investment and may continue without resolution for long periods of time.
- **Regulation:** Governmental authorities of the jurisdictions in which the Firm operates are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. The establishment of such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby. Increased costs resulting from increases in real estate, income or transfer taxes or other governmental requirements generally may not be passed through directly to residents, tenants or lessees, inhibiting the ability of the Fund to recover such costs.
- **Reassessment and Transfer Tax:** To the extent that an interest in real property is assigned, transferred, financed, or restructured in the ordinary course of business, certain jurisdictions in which the Firm operates may (i) seek to reassess the underlying real property, which may result in higher ad valorem property taxes and/or (ii) impose a stamp, recording, deed, or other transaction-based tax on such transaction.

- **Financial Market Fluctuations:** General fluctuations in the market prices of securities may affect the value of the investments held by clients. Instability in the securities markets may also increase the risks inherent in investments.
- **Financial Condition of Tenants:** An investment's results of operations, distributable cash flow and the value of the interests would be adversely affected if a significant number of the lessees of investments are unable to meet their lease obligations. In the event of default by a significant number of lessees, the investments may experience delays and incur substantial costs in enforcing the rights as the owner of the properties.

## **Item 9     Disciplinary Information**

The Firm and its management personnel must disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management. The Firm and its management personnel have no reportable disciplinary events to disclose.

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

### ***Other Pooled Investment Vehicle(s)***

As described in Item 4, the firm and its affiliates utilize limited partnerships or similar pooled investment vehicles referred to as "Heitman sponsored funds" or "funds". The Firm or an affiliate serves as the investment adviser to such funds. As described later in this section, the Firm solicits investors to invest in these funds through affiliated broker-dealers. Further, unaffiliated third parties may in some cases be utilized to solicit investors to invest in these funds as described in Item 14. Prospective investors are under no obligation to invest in any of these entities or to implement any advisory recommendations.

Additionally, affiliates of the Firm also perform real estate investment services for other clients and Heitman sponsored funds similar to the services to be performed by the Firm. The Firm and its affiliates and employees also invest in real estate for their own accounts. Such clients and Heitman sponsored funds may have investment objectives and policies comparable to those of the Firm's clients and may be in competition with such clients. Notwithstanding the foregoing, Heitman maintains a separate rotation list for each investment strategy that the firm pursues on behalf of its clients which is described in further detail in Item 6.

Further, Heitman Real Estate Securities LLC is currently a sub-adviser to the Old Mutual Heitman REIT Fund (the "OM Fund"). An Agreement and Plan of Reorganization has been prepared and subject to shareholder approval, the assets and liabilities of the OM Fund will be transferred to the Heitman REIT Fund (the "Heitman Fund"). The Heitman Fund is planned to be a mutual fund in the FundVantage Trust ("FundVantage") series of mutual funds. Heitman Real Estate Securities LLC will serve as the investment adviser to the Heitman Fund. Heitman will utilize the same portfolio managers as are currently managing the OM Fund.

In the event that any of its affiliations present potential conflicts of interest, the Firm has established written policies and procedures for disclosing such conflicts of interests to its clients.

### ***Other Financial Industry Affiliates' Activities***

As described in Item 4, affiliates of the Firm are registered as investment advisers or broker-dealers. The Firm's affiliates conduct the following business activities:

- Heitman Securities LLC ("HSL") is a registered broker-dealer and member of the Financial Industry Regulatory Authority. Heitman UK Limited ("HUK") is a broker-dealer registered with the United Kingdom's Financial Services Authority. From time to time, the Firm may use HSL or HUK as a placement agent for security offerings of real estate entities.
- Several personnel of the Firm are registered representatives or approved persons of these registered broker-dealers. These persons do not receive compensation for their broker-dealer or placement agent duties.
- Heitman Real Estate Securities LLC ("HRES"), Heitman International Real Estate Securities GmbH ("HIRES GmbH") and Heitman International Real Estate Securities Pty Limited ("HIRES Pty") are SEC-registered investment advisers that manage portfolios composed of publicly-traded equity securities of real estate investment trusts. HRES, HIRES GmbH and HIRES Pty from time to time will draw upon the market research capabilities of the Firm's parent in making its portfolio selections
- Heitman Financial Services LLC ("HFSL"), a wholly owned subsidiary of HLLC (which is the Firm's parent entity) and Heitman California Financial Services G.P., Inc. ("HFSL-California"), an affiliate of HFSL, exist for the purpose of arranging secured and unsecured financing for owners of commercial real estate, the latter solely in connection with real estate located in the State of California. HFSL is licensed as a real estate broker in Illinois and Minnesota. HFSL's and HFSL-California's customer bases consist almost exclusively of entities that are neither clients of the Firm nor affiliates of such clients. It is, however, possible that one or more clients of the Firm owning a commercial real estate project might wish to retain HFSL or HFSL-California to render services on their behalf with respect to the sale and/or financing of that project or an ownership interest in that project in return for a negotiated fee.
- HLLC provides certain central office support functions such as compliance and anti-money laundering monitoring, human resources, information technology and other similar enterprise wide activities.

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

The Firm has adopted a Code of Ethics (the "Code"), which sets forth standards of business conduct required of all of its officers, managers and employees and requires its employees to maintain integrity and ethical dealings with clients and to comply with all laws and regulations of the various jurisdictions in which the Firm operates. The Code includes the establishment

and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information.

The Firm and its personnel owe a duty of loyalty, fairness and good faith to its clients and have an obligation to adhere not only to the specific provisions of the Code as well as the general principles that guide the Code.

The Firm designed the Code to ensure that the personal securities transactions, activities and interests of its employees will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code includes policies and procedures for the review of quarterly securities transactions reports and initial and annual securities holdings reports submitted by all of the Firm's access persons and their Family Members. This Code requires the prior approval or prohibition of certain securities transactions. It also contains oversight, enforcement and recordkeeping provisions.

Further, Access Persons certify on a quarterly basis and Supervised Persons certify on an annual basis that they have complied with the requirements of the Code. In addition, a mandatory firm-wide compliance meeting is conducted annually. The meeting addresses policies applicable to all employees of the Firm such as review of the Code, privacy compliance and anti-money laundering compliance.

It is possible that related person(s) may have an interest or position in certain securities that the Firm recommends to a client.

The Firm's express policy is that no employee may purchase or sell any security prior to implementing a transaction for an advisory account, which prevents benefits to employee(s) from transactions placed on behalf of advisory accounts.

The Code further includes the Firm's policy prohibiting the use of material non-public information. It informs all employees that such information cannot be used in any capacity.

A copy of the Firm's Code of Ethics is available to its clients and prospective clients via e-mail at [roger.smith@heitman.com](mailto:roger.smith@heitman.com) or via telephone at 312-855-6523.

As an investment adviser, the Firm has fiduciary responsibilities with respect to each of its clients. This means that the Firm is required to act in each client's best interests and to deal with client assets in such a manner as to benefit the client. Compliance with the Firm's fiduciary duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict with does arise with respect to any client. The Firm employees are required to try to avoid situations that have even the appearance of conflict or impropriety.

The principals of the Firm are also the principals or related persons of affiliated investment advisers and/or limited partnerships and other similar entities that serve in the capacity of or in a similar capacity to General Partner of funds that the Firm sponsors. The General Partner

has designated the Firm or an affiliate of the Firm as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, that pertain to the entities. The Firm and or its affiliates and its managers, officers and employees will devote to the entities as much time as necessary and appropriate to manage the entities' business. However, the Firm and its affiliates may form additional investment funds, enter into other investment advisory relationships, or engage in other business activities, even though such activities may be in competition with the entities and/or may involve substantial time and resources of the Firm and its affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of the Firm's management personnel and employees will not be devoted exclusively to the business of the entities but allocated between the businesses of the entities and those of the Firm's other affiliates.

The Firm may make available investments in one or more of these entities to clients for whom a separate account relationship may be more suitable.

The Firm manages funds that need not register as investment companies under the Investment Company Act of 1940 in reliance upon an exemption available to funds that do not offer their securities to the public. The Firm manages funds on a discretionary basis in accordance with the terms and conditions of the funds' offering and organizational documents.

Certain entities have been established to invest in commingled funds or other real estate related investment vehicles ("Investment Entities") and to develop, acquire, own and/or operate, and ultimately sell interests in office, multi-family residential, industrial, specialty sector, and/or retail properties located principally in North America, Europe and Asia-Pacific regions ("Firm Related Entities"). The beneficial owners of the Firm Related Entities, in all cases, consist of (i) one or more affiliates of a public company, one of which has subsidiaries that directly and indirectly own 50% of the Firm's parent entity and (ii) present and former employees of the Firm's parent entity or one of its direct or indirect subsidiaries (including HCM and HI).

Institutions that are not affiliates of the Firm or any of its affiliate, which in some instances are clients of one or more of the Firm's affiliates, own all of the beneficial interests in Investment Entities, other than those owned by Firm Related Entities. In all cases, each client makes the determination as to whether to invest in any Investment Entity. In addition, the Firm discloses to all co-investing unaffiliated investors, in all cases, the fact that Firm Related Entities and affiliates beneficially have partial ownership interests in all such Investor Entities.

## **Item 12 Brokerage Practices**

The Firm does not use securities brokers in connection with its real estate advisory activities. However, the Firm may invest (i) clients' funds held but not yet invested in real estate, (ii) funds generated from the management of properties, or (iii) sale proceeds of a real estate investment pending distribution to the client. In the United States, such funds are invested primarily in Treasury Money Market funds and U.S. Government obligations, repurchase agreements and other instruments guaranteed by the United States or U.S. agencies. For client funds held in Europe, the Firm invests in short-term EUR-denominated debt securities

issued by European governments and repurchase agreements with highly rated counterparties that are collateralized by such securities.

These investments are strictly incidental to the Firm's real estate advisory activities. In connection with making these investments, the Firm uses the services of large commercial banks to invest in money market funds that invest primarily in the securities investments previously described. The Firm receives no research or soft dollar benefits from such brokerage and believes the commissions or mark-ups are competitive with those that other brokers or dealers charge. On occasion, the Firm also uses unaffiliated real estate brokers that the Firm selects on the basis of (i) the reasonableness of their commissions as compared to other brokers offering similar services and (ii) the ability of such brokers to obtain best execution of the transaction.

### **Item 13    Review of Accounts**

On a monthly or quarterly basis the Firm prepares and delivers to all clients evaluations of their accounts showing cash and current investments by type, market value and unit cost. On an annual basis, the Firm prepares and delivers an annual report to each client which will review all investments and update the client on current markets and trends. This report is audited by an independent accountant. The Firm will also deliver reports as necessary with respect to unusual transactions or notifications of deposits and transfers to the client. The Firm employees who conduct these reviews are generally Vice Presidents and above.

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

The Firm may engage a consultant to assist in obtaining assignments with clients to manage privately-held real estate investments. In return for these services, the Firm (and not the client) may compensate the consultant out of its investment management fee. The Firm discloses such referral arrangements, should they exist, to our clients.

Whenever the Firm pays a referral fee, it requires the solicitor of this fee to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the solicitor's name and relationship with the Firm;
- the fact that the Firm pays solicitor a referral fee;
- the amount of the fee; and
- whether the Firm will charge the client an increase above its normal fees to compensate the solicitor.

As described in Item 10, the Firm may use its affiliated broker-dealers as placement agents for security offerings of real estate. Currently, the Firm is using an external placement agent to solicit new business on behalf of the Firm. HLLC has entered into an agreement with Willowbrae House, an investment management advocacy and consulting firm, for the purpose of distributing Heitman products and marketing Heitman's investment management capabilities to Australia and New Zealand institutional capital. David Twiss, a Director of Willowbrae, is directly responsible for providing the above described services to HLLC. As such, Willowbrae and Mr. Twiss are acting in the role of placement agent as a result of their

commercial objective to attract capital to any/all of HLLC'S products that fit with Australian and New Zealand investors' goals and objectives. In return for these services, HLLC has agreed to compensate the consulting firm. There is no economic impact to those clients that are obtained with the assistance of Willowbrae and/or Mr. Twiss as any fees due them are paid by the Firm or its affiliate out of advisory fees received.

Further, HCM is paying a placement agent trailing commission fee to HLH Securities Inc. ("HLH") for services the agent previously provided to a sponsored commingled fund whose general partner is HCM. Under the terms of its engagement with this Fund, HLH's compensation is 50 basis points on all capital committed to the Fund by new investors and 25 basis points on all capital committed to the Fund by investors that had previously invested in certain other Heitman-sponsored funds.

All investors in the Funds received a Disclosure Statement which expressly stated with respect to such compensation that any acquisition fees otherwise payable by the Fund to HCM would be reduced by an equal amount, so that no compensation payable by the Fund to HLH would have any economic impact whatsoever on any investor in the Fund.

Further, it is the Firm's policy not to accept or allow its related persons to accept any form of compensation, including cash, sales awards, or other prizes, from a non-client in conjunction with the advisory services it provides to clients.

## **Item 15 Custody**

The Firm invoices fees to each client and, if applicable, to each client's custodian in accordance with the client's IMA. As addressed in Item 5, in certain instances, the Firm directly debits advisory fees from its client accounts.

Because the custodian does not calculate the amount of the deductible fee, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact the Firm directly if they believe that there may be an error in their statement.

In addition, the Firm sends account statements directly to its clients on at least a quarterly basis. The Firm urges its clients to carefully compare the information on these statements to ensure that all account transactions and holdings are correct and current.

The Firm may have custody of client funds through bank accounts maintained by the Firm for the benefit of the client and may have custody of client funds by virtue of having signatory authority in property-level bank accounts. The Firm and/or affiliates are investment advisers and administrators for commingled funds. Under laws of the jurisdictions in which the Firm operates, the Firm and/or the affiliate are deemed to have custody of the cash and securities of the funds.

The Firm has adopted various procedures to implement the Firm's Custody Policy and ensure the firm's policy is observed. Such procedures include:

- Securities and funds of custodial clients are maintained with a "qualified custodian" and held in the client's name or in accounts captioned as an agent or trustee or other similar language for the clients;
- If the Firm acts as either general partner, managing member, or in some similar capacity as an investment adviser to any pooled investment vehicle, the Firm will ensure that the custodian sends statements at least quarterly to each of the investors in the pool unless the pooled investment vehicle (i) is audited annually; (ii) the audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles; and (iii) the audited financial statements are distributed to all limited partners or other beneficial owners within 120 days of the end of its fiscal year; and
- The Firm will send quarterly account statements to each client where the Firm maintains custody and undergoes, at least annually, a surprise examination of the funds, securities and/or assets over which the Firm has custody by an independent accountant.

## **Item 16 Investment Discretion**

Investors who commit to invest in one of the Firm's or its affiliates' sponsored commingled funds must agree to the provisions of the entity's formation documents, including the Subscription Agreement or Participation Agreement and the Private Placement Memorandum, which in all cases grants full control and discretion to the Firm or its affiliate. That is, the Firm or its affiliate has the power to direct the fund's assets without prior consultation with its investors in accordance with the fund's investment guidelines.

Clients may also choose to enter into an IMA that engages the Firm to invest the client's funds in one or more individual real estate investments that are consistent with the specific investment objectives and strategies of the client and that are set forth in the IMA. In some cases, the client may elect to give the Firm complete discretion to make investments within the parameters established by the IMA. The Firm refers to these relationships as discretionary accounts. The Firm considers client portfolios to be discretionary if the Firm has sole or primary responsibility for major investment decisions, such as portfolio strategy, investment structuring, acquisition and disposition of assets and valuation of assets. An inference of primary responsibility arises if a portion of the Firm's compensation relates to investment performance.

Clients rarely delegate complete investment discretion to managers for real estate investments. In many cases client restrictions are present, but they do not inhibit the Firm's ability to implement its intended investment strategy to any significant extent.

Clients give the Firm discretionary authority when they sign a discretionary agreement with the Firm and may limit this authority by giving the Firm written instructions. Clients may also change or amend such limitations by providing the Firm with additional written instructions at some later point in time. In other cases the IMA provides that the Firm must submit the

proposed investment to the client or the client's representatives for approval and authorization to invest. The Firm refers to these relationships as non-discretionary accounts.

## **Item 17 Voting Client Securities**

The Firm does not vote proxies for any Client Entities because:

- whenever any Client Entity in which the Firm's Separate Account Clients own an interest that requires the vote of its shareholders/members/partners, the separate account client does its own voting; and
- whenever any Client Entity in which the Firm's Group Trust or REIT Client owns an interest that requires the vote of its shareholders/members/partners, the Group Trust/REIT Client does its own voting.

Accordingly, the Firm's proxy voting policy is to not vote proxies on behalf of any clients.

## **Item 18 Financial Information**

Under no circumstances does the Firm require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of rendering services. Therefore, the SEC does not require the Firm to include in this Brochure a balance sheet for its most recent fiscal year.

As an advisory firm that has complete or partial discretionary authority for some client accounts and is deemed to have custody with respect to client accounts as described in Item 15, the Firm must disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. Other items of this Brochure have disclosed all of the conditions that are likely to affect the Firm's contractual obligations with respect to its clients. Thus, the Firm has no additional conditions to report under in this item.

The Firm has not been the subject of a bankruptcy petition at any time.