

Part 2A of Form ADV: *Firm Brochure*



CLARION PARTNERS

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This brochure provides information about the qualifications and business practices of Clarion Partners, LLC ("Clarion"). If you have any questions about the contents of this brochure, please contact Clarion's Legal and Compliance Department at 1-212-883-2500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Clarion is a registered investment adviser. Registration as an investment adviser does not imply any certain level of skill or training. Additional information about Clarion also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This Firm Brochure, dated March 31, 2012, provides you with a summary of Clarion Partners, LLC advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients and investors with a summary of new and/or updated information.

Clarion Partners, LLC has no material changes to report to the information previously provided in our Firm Brochure dated July 8, 2011.

As previously disclosed in the July 2011 Amendment, the ING Clarion Partners, LLC executive team, together with Lightyear Capital, LLC ("Lightyear"), completed the acquisition of ING Clarion Partners, LLC, ING Group's private equity real estate investment management business in the Americas on June 9th, 2011. The company changed its name from ING Clarion Partners, LLC to Clarion Partners, LLC ("Clarion"). Clarion will continue to be headquartered in New York City with operations in the U.S., Mexico and Brazil.

The Clarion Executive Board will continue to manage the business, as well as its investment functions including acquisitions, dispositions, portfolio and asset management, and investment research. These investment functions will operate as before with no material changes. The firm will continue to offer its investors and clients a range of real estate investment options across the risk/return spectrum in both fund and separately managed account (SMA) formats.

There are no management changes as a result of the transaction. Stephen Furnary, one of the original founders of the firm in 1982, is the Chairman and CEO of Clarion Partners and will continue to serve in his current roles and serve on the Board of Directors of the firm. Clarion will manage its investment management business as it has in the past, with day-to-day operations controlled by Clarion's senior management. Clarion has more than 250 employees located at its headquarters in New York City and throughout several regional offices. Clarion's SMA clients and Fund investors will continue to receive services from the same employees that currently manage the day-to-day affairs, and make investment decisions, on their behalf as before this transaction.

Various portions of this brochure have been revised to reflect the effects of this transaction, including: (1) the discussion of Clarion's advisory business in Item 4; and (2) the discussion of Clarion's relationships with various affiliates in Item 10. The changes to Item 10 reflect the removal of the various entities affiliated with Clarion's former parent company, ING Groep N.V., and the addition of Clarion's new relationship with Foreside Financial Group, LLC ("Foreside"), an SEC-registered broker-dealer. As disclosed in Item 10, certain Clarion personnel are, in their individual capacities, licensed as FINRA registered representatives of Foreside.

A summary of any material changes to this and subsequent brochures will be provided to you within 120 days of the close of our business' fiscal year. We also may provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting Clarion's Legal and Compliance Department, at 1-212-883-2500.

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ITEM 4 – ADVISORY BUSINESS

Clarion Partners, LLC (“Clarion” or the “Registrant”) and its affiliates, the Managing Members and General Partners listed in Item 10 (collectively, “Clarion”, “us,” or “we”) provide investment advisory and other services to institutional investors, specializing in sourcing, underwriting and managing real estate investments.

The Registrant was originally founded as Jones Lang Wootton Realty Advisors by Stephen Furnary and his partners in 1982, before they bought out the minority investor and renamed the firm Clarion Partners. In November 1998, Clarion Partners was acquired by ING Real Estate Investment Management, the global real estate unit of ING Groep, N.V. (“ING”), a global financial services firm. ING Clarion Partners, ING's U.S.-based private market real estate investment manager, operated within ING's Real Estate Investment Management group. In June 2011, ING Clarion Partners management together with Lightyear Capital, LLC purchased ING Clarion Partners, forming Clarion Partners, LLC. (Clarion falls under the legal entity Clarion Holdings, LLC or “Holdings”)

As of March 31, 2012, the Registrant manages approximately \$24 billion of real estate assets on behalf of various open-end and closed-end private comingled investment vehicles (collectively, the “Funds”) and separately managed account (“SMA”) clients (collectively, the “SMA Clients”), including approximately \$14 billion on a discretionary basis and approximately \$10 billion on a non-discretionary basis. In accordance with applicable exemptions/exceptions in the Securities Act of 1933 and the Investment Company Act of 1940, these Funds are available only to Accredited Investors and, in the case of certain Funds, Qualified Purchasers.

Clarion offers a range of private equity investments in strategies across the risk/return spectrum using both Funds and tailored SMAs. For each Fund, Clarion pursues an investment strategy, be it core, value-added, or opportunistic. These assets are generally diversified, institutional quality real estate assets and related investments within the United States, Canada, Mexico and South America. For each SMA Client, Clarion pursues an investment strategy that is customized and based on the investment objectives of such SMA Client. SMAs provide clients with a personalized approach to investing that includes direct ownership of individual properties and/or securities as well as opportunities for portfolio customization. SMA Clients and underlying investors in Funds include pensions, endowments, foundations, sovereign wealth funds, corporations, business entities and other institutional investors.

When selecting and managing assets for its clients, Clarion remains subject to the investment guidelines and restrictions included in either (i) the offering memorandum (the “PPM”) and organizational documents of each Fund; or (ii) the investment management agreement (“IMA”) of each SMA advisory relationship. SMA Clients can typically exclude specific investments from their account, for example, for environmental or social reasons.

ITEM 5 – FEES AND COMPENSATION

With respect to all types of clients, we are compensated with an asset management fee (a percentage of assets under management). Clarion may also charge certain clients acquisition or disposition fees (for the acquisition or disposition of investment properties) as well as incentive fees (for reaching a target return on assets under management).

Asset Management Fee. The asset management fee schedule for investment supervisory services are charged as either:

- (a) a percentage of assets under management, ranging from 0.25% to 1.50%, depending on account size and the client's circumstances; or
- (b) a percentage of net operating income ranging from 0.67% to 7%, depending on cumulative investment dollar thresholds, with or without minimum/maximum fee limits, as well as other client specific criteria.

SMA Clients and Fund investors are generally invoiced in arrears at the end of each calendar quarter based on the value of assets or net operating income during the previous quarter.

Acquisition and Disposition Fees. Acquisition fees may be charged to certain clients for the acquisition of each investment property. These fees range from 0.50% to 1.50% of the purchase price of the asset and are governed by the client's investment management agreement. Disposition fees, when applicable, may be fixed fees on a per transaction basis, or may also be negotiated with clients. Generally disposition fees range from 0.06% - 1.25% of the disposition price or sales proceeds or other price based on the agreement with the Fund or the client.

Performance-Based Fees. A performance-based fee may be charged to certain clients as a periodic fee based on a calculation of a specified return of real estate investments under management above a benchmark. Such fees are calculated and governed by the client's investment management agreement or the specific Fund's PPM.

Other Fees. For some SMA Clients, development fees may be earned on oversight of development projects or financing fees may be earned on debt financings as outlined in the investment management agreement and range from 0.5% - 1%.

Investors in certain Funds are obligated to pay a cash management fee quarterly in arrears for managing the liquid assets of the Fund and its operating partnership. This cash management fee is equal to 0.10% per annum of such Fund investor's interest in the cash and short-term investments held by the Fund and the operating partnership. Clarion views this activity as a ministerial and administrative portion of its overall services. Cash management fees, if applicable, are outlined in the Fund's PPM.

SMA Client fees can be negotiated. Factors Clarion may consider in negotiating fees may include: the amount or complexity of services required, the type of assets under management, the amount of assets under management, a client's prior relationship with Clarion, whether we are acting in a discretionary or non-discretionary capacity, and the extent of reporting or other administrative services required. Fees for the Funds are outlined in the Fund's PPM. In general, an IMA may be canceled by either party at any time and for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fund investors can redeem their interest in a Fund as outlined in the Fund's PPM.

Fees are either billed directly to the client, deducted from the client's account, or reduce client distributions, as agreed upon with each client.

Additional Expenses:

Our fees are exclusive of brokerage commissions, transaction fees, custodial fees, and other related costs and expenses, all of which are incurred by the SMA Client or the Fund. Please refer to Item 12 for additional information regarding the factors we consider in selecting brokers for client transactions, and in determining the reasonableness of their compensation.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted in Item 5 above, certain clients may pay us performance-based fees, which may be calculated in part on a percentage of net investment income, cash flow or a percentage of return of real property under management above a benchmark.

Such performance-based fees may also be calculated based on a share of capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a SMA Client or Fund investor (also known as shareholder) must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement with us. In addition, a SMA Client or Fund investor may be subject to a minimum investment amount. Please refer to Item 7 for additional information regarding minimum investment amounts. Performance-based fees are negotiable and are described in either the PPM or the Client's investment management agreement.

All performance-based fees are calculated and paid in accordance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"). Clarion reserves the ability to adopt different fee structures for Funds or accounts.

Clients and investors should be aware that performance-based fee arrangement may create an incentive for Clarion to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Furthermore, as we also have clients who do not pay performance-based fees, we may have an incentive to allocate particular investments to accounts that do pay such fees because compensation we receive from these clients is directly tied to the performance of their accounts. All investment

recommendations are subject to each portfolio's investment guidelines.

To address these conflicts, our policies and procedures seek to ensure that investments are allocated to all clients fairly and equitably on an overall basis. All potential investments are submitted by the local acquisition manager to Clarion's Investment Committee (the "Investment Committee"), which meets regularly to determine whether each investment meets Clarion's overall criteria. For investments meeting Clarion's criteria, the Investment Committee then considers each investment's characteristics and its suitability for clients. If a portfolio manager is interested in the investment and the investment is clearly suitable for one client, it is assigned accordingly pursuant to the approval of the Chief Investment Officer. If an investment, on balance, is equally suitable to more than one client, and more than one portfolio manager has indicated interest in the investment, it is assigned to the client which has waited the longest to be assigned a new investment. This Allocation Policy is predicated on a rotational basis. Please refer to Item 12 for additional information regarding the Allocation Policy. Refer to Item 8 of this brochure for the review and supervision of investments by the Clarion's Investment Committee, Executive Board and a Fund's Advisory Council.

ITEM 7 – TYPES OF CLIENTS

Clarion provides advisory services to pension and profit sharing plans, endowments, foundations, sovereign wealth funds, corporations, business entities and other institutional investors.

To establish or maintain an investment advisory account with us, we generally require a minimum portfolio amount of \$100,000,000 for each SMA Client. For Funds the minimum investment amounts vary and are outlined in the Fund's PPM. Generally, the minimum investment amount for Funds ranges from \$2,500,000 to \$5,000,000. Certain Funds that are closed-end vehicles that are not open to new investments may have higher minimum investment amounts as outlined in their respective PPMs. Account minimums may be negotiated. Clarion may change the minimum requirements and minimum requirements may change for future products.

Investments in a Fund may be recommended to advisory clients for whom these types of investments may be more suitable than would a SMA managed by Clarion. Clients interested in investing in a Fund should refer to the Fund's PPM for more information specific to the Fund.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategies

Each SMA and Fund portfolio is actively managed using proprietary research to evaluate real estate cycles, national and regional market fundamentals and market opportunities. Clarion may acquire 100% ownership in a property, as well as partnership interests and investments in other real estate related assets, including interests in companies and joint ventures that hold real estate assets directly or indirectly, where we believe such an investment would be consistent with the respective Fund's investment strategy and performance objectives. Clarion assists in purchasing

the ownership interests in properties for SMA Clients. SMA Clients typically own property assets directly in their account.

Within its various investment portfolios on behalf of both Funds and SMA Clients, Clarion employs a range of single asset vehicles and other holdings structures such as corporations, business trusts, limited liability companies and other corporate entities (including such entities as may be qualified as real estate investment trusts for federal income tax purposes) and limited partnerships and other forms of joint ventures.

Across its Funds and SMA Client accounts, Clarion will invest in the five major property types (office, retail, industrial, hotel and multifamily residential) pursuant to the portfolio's various strategies and investment objectives.

Clarion invests in private equity real estate across the risk/return spectrum:

Core Portfolios – *low risk*: Invests in operating and substantially leased properties in strong markets; diversified across the five major property types: office, retail, industrial, multifamily residential and hotel. These are properties with low-to-moderate leverage structures, where income typically generates approximately two-thirds of total portfolio return.

Core-Plus/Value-Added Portfolios – *moderate risk*: Invests in properties which require a capital investment for re-positioning, re-leasing or enhancement. With these properties, leverage enhances returns. Total return over the holding period is generally divided equally between income and appreciation.

Opportunistic Portfolios – *higher risk investments with the potential to achieve higher levels of return over the holding period*: Invests in new developments, and less-traditional property sectors. These properties are highly leveraged and have a significant leverage risk.

Every strategy pursued by Clarion on behalf of any Fund entails a significant degree of risk and all investors in Funds are advised to pay special attention to the sections of the Fund's PPM that discuss risk factors, conflicts of interest and other investment considerations. While Clarion works with SMA Clients to develop customized guidelines and restrictions with respect to their respective investment programs, each Fund investor is encouraged to invest only in the Fund or Funds pursuing investment objectives suitable for such investor since the management of each Fund is not customized to any one investor's guidelines or restrictions. Investors are additionally encouraged to seek their own individual tax and legal advice regarding an investment in the Fund before making an investment decision.

Clarion's Investment Methodology

For each potential long-term property investment, Clarion analyzes a number of factors, which may include: gross revenues, with attention paid to the quality and safety of such revenues, past and expected vacancy rates, associated market conditions, past and projected expenses, the use and physical state of the property, the existing and potential lease structure of the property, the prospects for future disposition, the projected investment return, the debt service coverage ratio,

mortgage terms and bond structure and the impact on portfolio risk and return.

On an ongoing basis, our portfolio managers will seek to develop and implement a portfolio-appropriate strategy to control for portfolio risk. In addition, they are responsible for reviewing the operational matters, capital improvement programs, budgets, business plans, leases and financial statements of each potential investment. The portfolio managers are responsible for the preparation of an annual investment plan and a strategic portfolio overview. In addition, Clarion's portfolio management teams and third party appraisal firms conduct periodic internal and external valuations of property investments.

Each Fund has the right to form an advisory council ("Advisory Council"), which is expected to consist of several representatives of unaffiliated investors. The Fund's general partner (a "General Partner") has the right to consult with the Advisory Council, if any, regarding changes in a Fund's investment strategy and guidelines, valuation policy, audited financial statements, conflicts of interest and other matters with respect to the Fund. A Fund's Advisory Council may be asked to consent to transactions on behalf of the Fund involving a conflict of interest between the Fund and the General Partner or its affiliates or as may be necessary pursuant to the Advisers Act.

The Investment Committee approves each Client or Fund investment strategy, ratifies all capital transactions and monitors portfolio performance. Members meet regularly to formally review and approve potential investments, dispositions, and Client or Fund investment strategy and performance. The Investment Committee reviews portfolio performance periodically for each Fund or SMA and provides insight from a senior management perspective.

Any material changes to the Clarion's investment strategy require the approval from Clarion's Executive Board. The Executive Board is comprised of five members who are responsible for leading and managing the Registrant. The Executive Board is responsible for defining business strategy and achieving operational results. Through the Executive Board, Clarion maintains transparent lines of communication with the Board of Directors of Clarion Holdings, LLC ("Holdings"), which consists of both Clarion and Lightyear senior executives. The Board of Directors of Holdings has a duty of stewardship and regularly assesses and monitors Clarion's performance.

In addition, the Operating Committee develops and recommends, for adoption by the Clarion Executive Board, the financial plan for the company and monitors performance against the associated benchmarks and budgets. Members meet regularly to formally review the relevant monthly status of revenue and expense performance, marketing initiatives, headcount management, operational efficiencies and specific organizational initiatives for which senior executive input is required. The Operating Committee also focuses on expediting intracompany resource allocation to further the business goals of the company.

Related Risks

All of our strategies involve the risk of loss that clients should be prepared to bear. In addition, the investment strategies described above may also involve the following risks:

Risks Related to Fund Investments

The purchase of an interest in a Fund entails certain risks that investors should consider before making a decision to invest in a Fund. There can be no assurance that an investment in a Fund will be profitable or, if it is profitable, that any particular yield or rate of return will be obtained or other investment objective will be realized. An investor should only invest in a Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment in the Fund. Funds could be subject to material risks that are not described herein. Additional risks regarding Funds are disclosed in the PPM of each Fund. We encourage investors to carefully review the full description of risk factors presented in their Fund's PPM and accompanying subscription documents.

Risks Related to Real Estate Investments

Real estate investments are long-term investment vehicles that are subject to market risk, including the potential loss of principal invested. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate; (ii) local conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management of properties; (iv) competition based on rental rates; (v) attractiveness and location of properties; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in operating costs; (ix) changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; (x) uninsured losses or delays from casualties or condemnation; (xi) government regulations (including those governing usage, improvements, zoning and taxes); (xii) potential liability under changing environmental and other laws; (xiii) structural or property level latent defects; (xiv) acts of God; and (xv) other factors beyond the control of Clarion. 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.

Risk Related to the Use of Leverage

To the extent the investments are leveraged, there will be additional risks incident to borrowing funds. These include risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, technological innovations that dramatically alter space and demand requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks and government regulations.

ITEM 9 – DISCIPLINARY INFORMATION

Form ADV Part 2 requires investment advisers such as Clarion to disclose legal or disciplinary events involving the firm or our partners, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. At this time, we have no information to report that is applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Clarion has other financial industry activities and affiliations.

Clarion Partners is the direct 100% sole parent of CPT Advisors LLC, the advisor to Clarion Partners Property Trust Inc. (CPPT), a publicly registered, non-exchange-listed Maryland corporation that intends to qualify as a real estate investment trust (REIT) for federal income tax purposes. CPPT is designed for certain eligible investors to invest in commercial real estate. CPPT plans to invest in “core” real estate, generally defined as commercial properties that are well-leased with a stable tenant base and predictable income. Investments will be selected generally from among the main property sectors: office buildings, industrial properties, retail centers, multifamily residential assets, hotels, and potentially other property types. CPPT also expects to invest in real estate related assets and short-term investments. Clarion Partners currently holds 20,000 Class A Shares in CPPT.

Clarion utilizes Foreside Financial Group, LLC (“Foreside”) for activities requiring a broker-dealer. Foreside is an SEC-registered FINRA member broker-dealer. A number of related persons of Clarion, including certain management personnel as well as members of the Client Capital Management Department, are, in their individual capacities, licensed as registered representatives. Consistent with applicable regulatory obligations, Foreside provides assistance in the registration, supervision, monitoring and oversight of these individuals’ activities relating to the distribution of interest in Clarion Funds.

ITEM 11 – CODE OF ETHICS

Code of Ethics

Clarion has adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act that sets forth ethical standards of business conduct that Clarion requires of its employees, including compliance with applicable federal securities laws. This Code of Ethics is intended to reflect fiduciary principles that govern the conduct of Clarion employees and its supervised persons in those situations where Clarion acts as an investment adviser as defined under the Advisers Act in providing investment advice to clients. It consists of an outline of policies regarding several key areas: standards of conduct and compliance with laws, rules and regulation, protection of material non-public information, personal securities trading and outside business activities. It also consists of specific information and guidance that is provided in firm-wide policies and procedures, including the Clarion Compliance Manual and the Clarion Gifts, Entertainment, Political Activities, and Anti-Bribery Compliance Policies and Procedures.

Participation or Interest in Client Transactions

Clarion may at times recommend to its advisory clients that it buy or sell securities or investment products in which Clarion or a related person has some financial interest (in such circumstances, Clarion or the related person typically has less than a one percent interest in the applicable investment product). Clarion discloses such financial interest to the client, consistent with Clarion’s duties to its clients as well as applicable laws.

Clarion or its affiliates may co-invest with clients in direct real estate investments or real estate joint venture investments managed for clients when such co-investment is a requirement under applicable investment management agreements. Clarion or its affiliates may also co-invest in commingled real estate funds Clarion manages. Any such investment is disclosed to the other investors.

Personal Trading

Subject to the Code of Ethics, as described above, we and our partners, principals, employees, and other affiliates may engage in investment activities for our own account or for family members and friends. These activities may involve the purchase and sale of securities that are the same as, but in different concentrations or effected at different times and prices than, those purchased or sold for client accounts. These activities may also involve the purchase and sale of securities that are different from those purchased for client accounts.

ITEM 12 – BROKERAGE PRACTICES

General Brokerage Practices

In recognition of our responsibilities as a fiduciary and in keeping with our level of operational practices and efforts to maximize the value of client accounts, Clarion's primary objective is to seek to obtain the best possible execution of real estate investment acquisitions or dispositions for our client accounts considering all circumstances. However, we do not rely solely on execution price or execution cost to measure "best execution" as these are not, in and of themselves, the best determinants for achieving this goal. Best execution, in our opinion, will be achieved by establishing brokerage arrangements that maximize overall client results in the investment process. Therefore, we have adopted policies and guidelines to seek the most favorable execution of client transactions considering all circumstances.

Clarion's portfolio managers are responsible for seeking to obtain best execution by relying on their experience, skills and knowledge. Each portfolio manager is expected to set a strategy prior to investing or disposing of a real estate asset, and to constantly monitor the overall market as well as specific news that may impact the strategy so tactics can be modified accordingly during the investment process. Our portfolio managers monitor best execution efforts on an on-going basis. The experience, skills and knowledge of our advisory professionals enables them to assess a broker's performance and ability to provide best execution. The evaluation of the performance and execution capabilities of brokers or other service providers will be the primary manner in which we measure and assess our best execution efforts.

When selecting real estate brokers for our clients, Clarion periodically and systematically reviews the brokers to ensure that they provide quality service at a fair price. The factors we use to select and evaluate real estate brokers include:

- Execution capability;

- Commission rates;
- Knowledge of market(s);
- Communication and responsiveness;
- Experience;
- Reputation and integrity;
- Reliability;
- The timing and size of a particular real estate investment;
- Current market conditions;
- Overall responsiveness to needs of the Adviser;
- Accommodation of Adviser's special needs;
- Adviser direction; and
- Marketing support.

For discretionary investment clients, Clarion requests that it be provided with written authority to determine which investments and the amounts of investments that are bought or sold for client accounts. Clarion is also provided with written authority to determine the real estate broker to be used as well as the authority to negotiate the commission costs that will be charged to our clients when selling real estate investments. Any limitations on this discretionary authority will be included in this written authority statement and clients may change these limitations as required. Such amendments must be submitted in writing.

Research and Other Soft Dollar Benefits

It is Clarion's policy not to use research or services ("soft dollars") provided by real estate brokers or other service providers as part of its investment decisions. Clarion generally does not accept or use soft dollars.

Trade Aggregation

Clarion does not aggregate trades of real estate investments/securities.

Allocation of Investment Opportunities

Clarion allocates investment opportunities among active funds and accounts designed to optimize the investment objectives of each recognizing that, on occasion, certain investments may be equally suitable for more than one. To enforce this policy, we have established the following formal procedure: All potential investments are submitted to the Fund's or Separately Managed Account's respective portfolio manager who determines whether each investment meets Clarion's overall criteria for market.

For investments meeting Clarion's overall criteria, portfolio managers then consider the investment's characteristics and its suitability for the specific fund or account.

To the extent that an investment is clearly suitable for only one fund or SMA, it is allocated to that fund or account.

To the extent that an investment, on balance, is equally suitable to more than one fund or account (a "Rotated Opportunity"), it is allocated to the one which has waited the longest to be assigned such a Rotated Opportunity. The management of the allocation process and the resolution of any related issue reside under the direction of Clarion's Chief Investment Officer.

ITEM 13 – REVIEW OF ACCOUNTS

Clarion periodically monitors portfolios created for its clients by performing supervisory management functions which include, but are not limited to, the following:

- determining the desirability of an investment for a client;
- recommending employment of and/or hiring local property managers and leasing agents;
- recommending relationships and/or hiring attorneys, lenders, insurers, builders, and any other capacity deemed necessary or desirable to maintain or protect investments;
- supervising the performance of local managers;
- preparing all necessary reports and documents which may be required by the contractual arrangements with clients;
- periodically reviewing the desirability of disposing of the property; and
- obtaining periodic independent appraisals of the properties in the client's portfolio.

These accounts are reviewed by the portfolio management teams under supervision of the portfolio manager as well as the Investment Committee. Refer to Item 8 of this brochure for the review and supervision of investments by the Firm's Investment Committee, Executive Board and the Fund's Advisory Council.

Clarion submits regular written reports to the SMA Clients and the Fund investors regarding the status and performance of their investments. The frequency of the reports is usually quarterly. Reports may be more frequent and content may vary depending on the terms of the SMA Client's investment management agreement or the Fund's PPM. These reports are reviewed by the portfolio management teams under supervision of the portfolio managers.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Clarion may from time to time compensate, either directly or indirectly, any person or company for client referrals. Any compensation arrangements will be made in accordance with Section 206(4)-3 of the Advisers Act and similar state laws or regulations.

Clarion may also engage solicitors, which may be affiliated with Clarion, to introduce prospective qualified investors. Solicitors are paid a percentage of Clarion's management fees earned or a percentage of the capital invested by a Fund investor. The percentage is described in a written agreement with each solicitor and varies according to the investment strategy in which the investor invests. In accordance with Rule 206(4)-3 and any applicable state law or regulation, these fee arrangements, and any relevant conflicts of interest, are disclosed to investors introduced by a solicitor.

ITEM 15 – CUSTODY

We generally provide Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant.

As previously disclosed in Item 5, Clarion may directly debit advisory fees from SMA Client accounts or bill the SMA Client directly. Generally, SMA Clients are invoiced for fees incurred. In some cases, the SMA Client's custodian is advised of the amount of the fee to be deducted from that client's account. The billing process is determined by the investment advisory agreement with the client. On at least a quarterly basis, the custodian is required to send to the SMA Client a statement showing all transactions within the account during the reporting period.

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

Furthermore, we also send account statements directly to our SMA Clients on a quarterly basis in addition to the periodic statements clients receive directly from their custodians. We urge our SMA Clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

ITEM 16 – INVESTMENT DISCRETION

Clients may hire Clarion to provide discretionary asset management services, in which case we acquire or dispose of investments/securities in a client's account without contacting the client prior to each transaction to obtain the client's permission. When applicable, our discretionary authority includes the ability to do the following without contacting the client:

- determine the investment/securities to buy or sell; and/or
- determine the number of investments/securities to buy or sell.

Clients typically give us discretionary authority when they sign a discretionary agreement with our firm, as outlined in the investment management agreement or in the constituent documents of the Fund. SMA Clients may limit this authority by giving us written instructions. For example, Clients may restrict the acquisition of specific types of assets such as, hotels, in their portfolio. Clients may change such limitations by providing us with written instructions.

We generally have discretionary authority for the management and conduct of the affairs of the Funds we manage. We are responsible for and have the authority to identify, acquire, operate, manage, finance and sell Fund assets. Other responsibilities include, among other things, determining investment strategy and providing research, acquisition, portfolio management, asset management, property management, leasing supervision, client service, administration and financial accounting.

ITEM 17 – VOTING CLIENT SECURITIES

Generally, Clarion does not acquire securities that require it to vote proxies on behalf of its account clients. Due to the nature of our primary advisory activities, as a matter of firm policy, we do not vote proxies on behalf of clients. Although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clarion does not offer any consulting assistance regarding proxy issues to clients.

ITEM 18 – FINANCIAL INFORMATION

Form ADV Part 2 requires investment advisers such as Clarion to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. At this time, we have no information to report that is applicable to this item.