

**Item 1 – Cover Page**

Property Investment Advisors, Inc.

901 East Byrd Street, Suite 150

Richmond, VA 23219

(804) 644-4474

www.piainc.net

February 13, 2012

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “Property Investment Advisors, Inc.” (PIA, us, we, our). This Brochure provides information about our qualifications and business practices.

*This brochure provides information about the qualifications and business practices of Property Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (804) 644-4474 or dcroy@piainc.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.*

*Additional information about Property Investment Advisors, Inc. also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.*

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2 – Material Changes**

1. Initial Filing on February 13, 2012. This is our “initial” filing of what we regard as “ADV 2” of our Form ADV. As a result, this Document, dated February 13, 2012 is brand new.
2. In future filings, this section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
3. We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).
4. If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, David M. Croy at (804) 644-4470 or [dcroy@piainc.net](mailto:dcroy@piainc.net).

### Item 3 -Table of Contents

Item 1 – Cover Page.....	
Item 2 – Material Changes .....	i
Item 3 -Table of Contents .....	ii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	2
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9 – Disciplinary Information .....	8
Item 10 – Other Financial Industry Activities and Affiliations .....	8
Item 11 – Code of Ethics .....	8
Item 12 – Brokerage Practices .....	9
Item 13 – Review of Accounts.....	9
Item 14 – Client Referrals and Other Compensation.....	9
Item 15 – Custody .....	10
Item 16 – Investment Discretion.....	10
Item 17 – Voting <i>Client</i> Securities (i.e., Proxy Voting) .....	11
Item 18 – Financial Information .....	11
Item 19 – Requirements for State-Registered Advisers.....	11
Brochure Supplement(s)	

## **Item 4 – Advisory Business**

Property Investment Advisors, Inc. (“PIA”, “we” or “our”) is a Richmond, Virginia-based investment manager founded in 1994 to provide real estate investment advisory services to institutions and high net-worth individuals. Dedicated solely to real estate investment management, PIA is led by its two principals and owners, R. Lewis Boggs and Christopher B. Boggs, who work to invest clients’ capital with best-in-class developers in geographic markets growing at above-average rates. Our support team is led by the Chief Financial Officer and consists of a controller, two asset managers, and a business development manager. This team of professionals provides PIA with over 100 years of management experience and over 80 years of real estate expertise.

PIA specializes in investing in commercial real estate development opportunities, and limited acquisitions. PIA currently manages the majority of the real estate allocation of a major private university endowment as well as real estate investments for thirty-two other non-profit organizations and individuals through PIA’s five existing funds (individually, the “Fund”), Property Holdings, L.L.C., Property Holdings III, L.L.C., Property Holdings IV, L.L.C., Property Holdings V, L.L.C., and Property Holdings VI, L.L.C., which collectively have invested over \$250 million in more than 70 real estate projects with an aggregate capitalized cost of almost \$1.5 billion. PIA focuses on long-term relationships with experienced, proven real estate developers across a variety of commercial property-types and geographic markets located primarily, though not exclusively, in the Mid-Atlantic and Southeastern United States. PIA seeks to use its knowledge, experience and relationships with developers to provide its clients with a diversified portfolio of investments in real estate development projects that offer superior and stable returns not correlated with traditional asset classes.

PIA operates as a pooled investment vehicle with Investor Members subscribing to one or more Funds and acting as limited partners, and Property Investment Advisors, L.L.C. acting as the Managing Member of each individual Fund. The operation of the Fund is in accordance with each individual Fund’s Operating Agreement. PIA does not tailor its advisory services to the individual needs of its investors; additionally, investors may not impose restrictions on investing in certain securities or types of securities. All investor members own a pro rata share of the Fund they have subscribed to and all member subscriptions are treated equally. Each individual Fund is established at the end of a discrete subscription period. At the time the Fund is established, it is closed to new subscriptions. As investment opportunities are identified, investment commitments are called from members on a pro rata basis and invested in the real estate project as described in the Fund’s Operating Agreement.

PIA does not participate in any wrap fee program.

As of January 1, 2012, PIA managed \$202,781,527 of client’s assets on a discretionary basis. PIA does not manage assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Management Fees**

Each Fund pays the Managing Member an annual management fee equal to 0.5% of the aggregate cost of projects in the Fund. Additionally, PIA receives a performance based incentive distribution (see Item 6 of this brochure for more details on performance based fees).

These management fees are negotiable at the Fund level.

Management fees are paid in arrears by the Fund on a quarterly basis. Fees are deducted directly out of the Fund account. In the event there are insufficient funds available to pay management fees, they are accrued until such time as funds are available to make payment.

### **Origination Fee**

The Managing Member will receive for each investment made by the Fund, a one-time origination fee, payable by the developer-partner upon the initial closing of the Fund's investment and the establishment of an investment's operating documents.

The practice of receiving a one-time origination fee payable by our developer-partner in an investment may present a conflict of interest in that the payment is made upon closing of the investment. The origination fee is not related to the ultimate success or failure of the investment, and the non-refundable origination fee is considered fully earned upon closing.

Origination fees are paid by the developer-partner to the Managing Member and the Managing Member retains all such origination fees for its own account. Such origination fees will not offset, reduce or otherwise affect amounts of the Management Fee, administration fees or any other ongoing fees that arise in connection with the Fund.

### **Other Fees**

The Fund pays all expenses associated with typical Fund auditing and preparation of Member tax returns. Additionally, the Fund pays for the legal fees associated with the establishment of the Fund as stated in the individual Fund Operating Agreement.

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

The Managing Member receives a performance based incentive distribution of 15% of all realized profits (which are calculated after payment of fund expenses and Management Fee).

This incentive is paid after Investor Members receive a payment of an 8% annually compounding preferred return and the return of all invested capital. A preferred return is an amount calculated on the Investor Member's capital contribution which is paid to the Investor Member before any performance based incentives are distributed to the Managing Member. This incentive distribution is negotiable at a Fund level and is explained in detail in the Fund's Operating Agreement.

Performance based fees are charged only to "qualified clients" as defined by Section 205, Rule 205-3 of the Investment Advisers Act. Qualified clients are defined as:

1. A natural person or company that has \$1,000,000 under management of the adviser.
2. A natural person or company whom the adviser believes (a) has a net worth of \$2 million, excluding the value of the person's primary residence or (b) is a qualified purchaser as defined in section 2(a)(51) of the Investment Company Act.

PIA does participate in side-by-side management. Side-by-side management is the management of accounts that are charged a performance-based fee while at the same time managing other accounts that are charged another type of fee (such as hourly, flat or asset-based fees).

## **Item 7 – Types of Clients**

Investor Members must be accredited investors (as defined in SEC Regulations). The majority of our Investor Members are educational or other non-profit institutions; although presently over 25% of our investors are high net worth individuals. The minimum subscription accepted is \$1,000,000. Minimums may be negotiated at PIA's discretion.

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

Investment in the Fund entails a high degree of risk and is suitable only for sophisticated institutions and individuals for whom an investment in the Fund is not a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Fund. The Managing Member seeks to identify unique commercial real estate investment opportunities that offer stable returns that are not correlated with traditional asset classes. We do this by working with a small group of real estate developers who specialize in specific types of commercial real estate. Through our underwriting process, we identify projects in markets with above average growth, a supportive business environment, an underserved product type, moderate to high barriers to entry, and where acquisition and/or construction can be obtained at a reasonable cost relative to the expected cash flow from the project.

There are multiple risks involved in investing in the Fund and prospective investors should carefully consider these various risks, which may include:

- **Nature of Investment.** An investment in the Fund requires a long-term commitment with no certainty of return. There is a possibility that the Fund will bear a significant loss of capital, and investors should not subscribe for a Membership Interest unless they can readily afford to lose their entire investment in the Fund. Even if the investments are successful, they may not produce significant cash flow to the investors for a period of years. There can be no assurance that the Fund's investment objectives will be achieved or that there will be any return of capital.
- **Risks Related to Investment Structure.** It is unlikely that the Fund will receive collateral of any material value for the loans it makes to its developer-partners, and the Fund will invest in companies that have minimal or no equity capitalization. Accordingly, in the event of default by a developer-partner (including bankruptcy), it is unlikely that the Fund will be able to recover the value of all or any part of its investment from the developer-partner, and the Fund may bear a significant loss of capital.
- **Future Investments Unspecified.** While it is expected that a substantial portion of our future Fund will be invested in multi-family development, as of the date of this disclosure, none of the Fund's future investments have been specifically identified with agreed upon terms. Investors, therefore, will be relying on the ability of management to identify and evaluate the investments to be made using the proceeds of this offering. Because such investments may occur over time, the Fund faces the risks of changes in interest rates and adverse changes in the real estate market.
- **Risks of Real Estate Market.** The ability of the Fund to achieve its investment objectives will be highly dependent on the real estate market generally. Real estate historically has experienced significant fluctuations and cycles in value, and changes in specific market conditions for development projects may result in reductions in the value of the Fund's investments. The value of the Fund's investments will depend on many factors beyond the control of the Fund or PIA, including: (i) changes in general or local economic conditions; (ii) changes in supply of, or demand for, competing properties in an area; (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental laws and regulations, including laws and regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage funds that may render the sale of a property difficult; (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in real estate tax rates and other operating expenses; (viii) the imposition of rent controls; (ix) energy and supply shortages; (x) various uninsured or uninsurable risks; and (xi) acts of God and natural disasters. In addition, general economic conditions in the United States, as well as conditions of domestic and international financial markets, may adversely affect operations of the Fund. Furthermore, most of the Fund's investments will be passive in nature, and neither PIA, the Managing Member nor their respective affiliates will have the ability to control the day-to-day operation of the development projects directly or indirectly financed by the Fund.

- **Risks of Engaging In Development Activities.** The ability of the Fund to achieve its investment objectives will be highly dependent on the performance of the development projects directly or indirectly financed by the Fund. Such projects will be subject to various risks, including those set forth above in *Risks of Real Estate Market* and the risk that there may be unanticipated delays in the completion of such projects due to factors beyond the control of the Fund. These factors may include: (i) strikes; (ii) adverse weather; (iii) changes in building plans and specifications; (iv) material shortages; and (v) increases in the costs of labor and materials. Delays in completing any development project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Fund with respect to such project. In addition, the estimated costs and schedules of developing and constructing buildings and related landscaping may be affected by changes in construction plans and specifications or by other unforeseen events, any of which may cause additional expenses to be incurred, which likely will be borne by the Fund.
- **Insufficient Number of Investment Opportunities.** The Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.
- **Risks Associated with Lending.** Real estate loans extended by the Fund to developer-partners in connection with investments in development projects may become nonperforming for a wide variety of reasons. In addition to the risks of borrower default, the Fund will be subject to a variety of risks in connection with such investments, including the risks of mismanagement or a decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the Fund's exercise of contractual remedies for defaults on such investments.
- **Leverage and Interest Rates - Senior Lenders.** Many of the development projects financed directly or indirectly by the Fund are likely to utilize a leveraged capital structure, in which case a third party would be entitled to cash flow generated by its loans prior to the Fund receiving a return. Fluctuations in interest rates may adversely affect the performance of such projects. Use of borrowed funds to leverage investments involves a high degree of financial risk and can exaggerate the effect of any increase or decrease in the value of an investment and will increase the exposure of an investment to adverse economic factors, such as fluctuations in interest rates, downturns in the local economies in which the development projects financed directly or indirectly by the Fund are located, or deterioration in the condition of such projects. In addition, if the development projects were unable to generate sufficient cash flow to meet principal and interest payment on such debt, the development projects financed directly or indirectly by the Fund may be forced to default on such debt, which could result in additional expenses to the development projects and/or forced liquidation of the development projects at prices that may not reflect the full value thereof and may result in a total loss. In addition, the amount or terms of financing may restrict the amount of funds available for distribution to the Fund.
- **Reliance on Key Persons.** The success of the Fund is substantially dependent on R.



Lewis Boggs and Christopher B. Boggs. Should either or both of these individuals become incapacitated or in some other way cease to participate in the Fund, its performance could be adversely affected.

- **Reliance on the Managing Member.** The Fund will be managed exclusively by the Managing Member. The Members will not have any right to participate in the management of the Fund's business or affairs.
- **Possible Lack of Diversification.** Investors have no assurance of diversification in the Fund's investments, either by geographic region or asset type. In addition, the Fund may fail to raise the targeted amount of aggregate committed capital, which could lead to increased risk as a result of the Fund's investments being less diversified and the types of investments available to the Fund being more limited than desired. This may have an adverse impact on the ability of the Fund to achieve its investment objectives. We further expect that a significant portion of the Fund will be invested in multi-family housing, and, as a consequence, the aggregate return of the Fund may be substantially affected by industry- or sector-specific conditions.
- **Failure to Make Capital Contributions.** If an investor fails to pay when due installments of its Commitment to the Fund, and the contributions made by non-defaulting investors and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could have a materially adverse effect on the returns to investors (including non-defaulting investors). If an investor defaults, it may be subject to various remedies as provided in the Operating Agreement, redemption by the Fund of all or any portion of the defaulting investor's Membership Interest on terms and conditions unfavorable to such investor.
- **Dilution from Subsequent Closings.** Each investor subscribing for an interest at any subsequent closing will participate in existing investments of the Fund, diluting the interests of existing investors therein. Although each such investor will contribute its *pro rata* share of previous drawdowns (plus an amount of interest thereon), there can be no assurance that this payment will reflect the fair value of the Fund's existing investments at the time such additional investor subscribes for a Membership Interest.
- **Illiquidity of Membership Interests.** The Membership Interests represent highly illiquid investments and should only be acquired by investors able to commit their funds for an indefinite period of time. The Membership Interests are not registered under federal or state securities laws and may not be resold unless they are subsequently registered or an exemption from such registration is available. Transfers of Membership Interests (other than to certain affiliates) are also subject to the approval of the Managing Member (which may be granted or denied in the sole discretion of the Managing Member) and the satisfaction of certain other conditions.
- **Illiquidity of Investments.** The investments to be made by the Fund are also likely to be illiquid. Dispositions of investments may be subject to limitations on transfer 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.

- **Targeted Returns.** The Fund will make investments based on the Managing Member's estimates or projections of internal rates of return and current returns. Investors have no assurance that the Fund will achieve its targeted total return on its investments. In addition, the Managing Member may adjust targeted returns to reflect any changes in market conditions.
- **Limitation on Liability of Managing Member.** The Operating Agreement will provide that neither the Managing Member, nor its affiliates or their respective officers, directors, members, shareholders and employees will have any liability to the Fund or the Members for any act or omission performed or omitted by any of them unless such act or omission results from his, her or its gross negligence, willful malfeasance, willful breach of any material provision of the Operating Agreement or knowing violation of criminal law.
- **Environmental Risks.** The Fund may be exposed to risk of loss from environmental claims arising with respect to real estate with environmental problems at projects being developed by a developer-partner of the Fund. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of an investment and that could not have been foreseen.
- **Availability of Insurance Against Certain Catastrophic Losses.** With respect to development projects directly or indirectly financed by the Fund, it is expected that the owner or property manager will obtain suitable comprehensive liability, fire and extended coverage insurance with insured limits and policy specifications that are customary for similar properties. However, certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or, insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments of the Fund. 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, not all investments may be insured against terrorism. If a major uninsured loss occurs, the Fund could lose both invested capital in and anticipated profits from the affected investments.
- **United States Federal Income Tax Risks.** An investment in the Fund entails significant tax risks, including: (i) the possibility that certain deductions claimed by the Fund may be disallowed and that any audit of the Fund's tax return may result in an audit of any Member's tax return; (ii) the possibility that the Fund may have taxable income allocable to Members in an amount greater than the cash available for distribution; and (iii) the possibility that future legislative, administrative or judicial interpretations of current law or future legislation will change the tax treatment of investors described herein. Each investor should carefully review the Fund's Operating Agreement regarding additional

risks described in *Certain Federal Income Tax Considerations* and should consult its own tax advisor.

- **Unrelated Business Taxable Income.** Although the Fund will seek to minimize the amount of income that is treated as Unrelated Business Taxable Income (“UBTI”) with respect to tax-exempt Members to the extent reasonably practicable and consistent with its objective of maximizing the pre-tax returns of all the Members, it is possible that a significant portion of the Fund’s income may be treated as UBTI with respect to such Members.
- **Employee Benefit Plans.** In considering an investment in the Fund, the fiduciary of an employee benefit plan should consider, among other things, the possibility that the assets of the Fund could be deemed to be the “plan assets” of such benefit plan. If any assets of the Fund were deemed to be “plan assets” of employee plans whose assets were invested in the Fund, certain provisions of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”) would generally extend to investments made by the Fund. This would result in, among other things, the possibility that certain transactions which the Fund might enter into as part of its investment strategy might constitute prohibited transactions under ERISA and the Code, and the Fund might not be able to pursue its investment strategy.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events by any Manager or Member of PIA.

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

No management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

PIA has adopted a code of ethics that applies to all officers and employees of PIA. This code of ethics requires all officers and employees to act in an ethical manner befitting our fiduciary role. It requires all personnel to be familiar with and adhere to PIA's policies and procedures which were written to ensure we meet our fiduciary obligation to our clients. Further, our code requires the protection of material non-public information and provides for sanctions and adequate record keeping of all material violations of our code of ethics. A copy of this code will be provided to investors or prospective investors upon request.

To assist in mitigating the appearance of benefiting from investment transactions made on behalf of the Fund, no officer or employee of PIA purchases any interest in the securities of our developer-partners.

No officer or employee of PIA may invest personal funds beside investor funds in any development project.

## **Item 12 – Brokerage Practices**

PIA does not engage in brokerage transactions or Soft Dollar Benefit programs.

## **Item 13 – Review of Accounts**

Individual investor capital and preferred return accounts are reviewed on a monthly basis. Investor Members are provided a quarterly report within 45 days of the end of each quarter in the case of the first 3 quarters of the year. Investor Members are provided an annual report within 90 days of the end of each year. Additionally, within 90 days of the end of each year, members receive a copy of Fund financials which are prepared and audited by a PCAOB registered and inspected independent auditor.

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

PIA does not receive an economic benefit from anyone who is not a client and who provides investment advisory services to our clients.

PIA does not pay for client referrals.

## **Item 15 – Custody**

PIA maintains custody of client assets in accordance with the terms of the offering documents. During capital events such as acquisition or sale of a project, when receiving operating funds from an investment, or in the case of holding working capital for the Fund, PIA will accept, hold, and account for client funds on an individual or pro rata basis.

Each individual Fund is a separate pooled investment vehicle. A pooled investment vehicle (PIV) combines capital (dollars) from many investors and invests those dollars according to a particular investment strategy. After the receipt of a capital call (a request for investors to send a certain amount of money to the Fund), individual client funds are wired to a qualified custodian and accounted for on a pro rata basis. Funds are pooled or combined and invested according to the terms negotiated between the managing member and the Fund's developer-partner (the commercial real estate developer we are undertaking a project with).

Rule 206(4) – 2 of the Investment Advisers Act (known as the "Custody Rule") requires advisors with custody to maintain client funds and securities with "qualified custodians." Qualified custodians include banks, registered broker-dealers, and certain foreign custodians. Qualified custodians are generally required to provide at least quarterly account statements directly to the advisor's clients. PIA maintains client funds at a qualified custodian; however, as an advisor to a PIV that meets certain requirements (defined below), we are exempted (under the Custody Rule) from the requirement to have the qualified custodian deliver account statements directly to our clients. Additionally, under Rule 206(4)-2, a surprise examination is required for advisors who have custody of investor funds. An exemption to this requirement exists for certain advisors to PIVs. To use these exemptions related to PIVs, an advisor to a PIV must be subject to an annual financial statement audit by a PCAOB (Public Company Accounting Oversight Board) registered and inspected accountant; and audited financial statements of the PIV must be distributed to the pool's investors within 90 days of the completion of the audit. PIA meets the requirements for these exemptions.

Investor members will receive a quarterly statement from the managing member indicating the member's capital balance, capital calls and distributions during the period, the outstanding balance of the member's preferred return, and indicating the member's pro rata valuation based on fair value of the real estate investments.

As a pooled investment vehicle, members will also receive financial statements audited by a PCAOB audited and inspected independent auditor within 90 days after the close of the calendar year.

## **Item 16 – Investment Discretion**

Prior to investing in the Fund, potential investors complete a subscription agreement and form of a Fund Operating Agreement which empowers the Managing Member to use discretionary

authority within the scope of the Operating Agreement to identify, negotiate and execute investments on behalf of the Fund's Members. The Operating Agreement serves as the legal basis for the Managing Member's authority and provides limitation on the Investor Member's authority in the day to day management of the Fund.

### **Item 17 – Voting *Client* Securities (i.e., Proxy Voting)**

PIA does not vote client securities. Due to the nature of our investments in real estate projects, there are no proxies to be voted.

### **Item 18 – Financial Information**

PIA does not require prepayment of management fees.

### **Item 19 – Requirements for State-Registered Advisers**

PIA is a federally registered investment adviser; therefore this section is not applicable.