

## **Dune Real Estate Partners LP**

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This brochure provides information about the qualifications and business practices of Dune Real Estate Partners LP (“Dune”). If you have any questions about the contents of this brochure, please contact Dune at (212) 301-8337. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training of Dune or its personnel.

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

## **Item 2           Material Changes**

This brochure dated July 2, 2012 has been prepared by Dune Real Estate Partners LP as an amendment to the prior version of its brochure, dated February 13, 2012.

Item 2 discusses only material changes to the brochure since such prior version. Certain changes have been made to reflect the addition of two individuals to the list of Dune's senior investment professionals, clarify certain disclosures relating to the terms applicable to certain Funds (as defined in Item 4.B.), add new disclosures relating to the status of certain related persons as exempt commodity pool operators, clarify the status of a related persons' business activities, and clarify that certain actions may be taken with respect to a Fund as permitted in the Fund's governing documents.

Currently, copies of this brochure may be requested by contacting Michael D. Sherman, Dune's Chief Compliance Officer, at (212) 301-8337 or at [legal@drepare.com](mailto:legal@drepare.com).

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#### **Item 4            Advisory Business**

- A. Description of advisory firm and principal owners.** Dune Real Estate Partners LP, a Delaware limited partnership, also referred to in this brochure as “Dune”, is a real estate investment advisory firm, which commenced operations on January 1, 2010, as the successor investment adviser to the Dune Real Estate Funds which were previously managed by Dune Capital Management LP, a firm which was established in 2004. The indirect principal owner of Dune is Daniel Neidich through two entities principally owned and controlled by him, Dune Real Estate Manager LLC and JSM Investments LLC. The senior investment professionals of Dune include Daniel Neidich, Cia Buckley, David Oliner, Gregory Rush, Russell Gimelstob and Jonah Sonnenborn.
- B. Advisory services offered.** Dune provides discretionary investment advisory services to various private partnerships and other private investment vehicles (each, a “Fund” or a “Client” and, collectively, the “Funds” or “Clients”) each of which focuses on real estate and real estate-related investments.<sup>1</sup> Interests in the Funds are only offered to qualified investors through private offerings. Dune is affiliated with entities that serve as the general partners to each of the Funds (each, a “General Partner” and, collectively, the “General Partners”) and each of the Funds is controlled by its respective General Partner.

The investment strategy of the Funds to which Dune provides investment advice is generally to make opportunistic investments primarily in North America in a broad range of real estate and real estate-related investments, including, single assets, portfolios, joint ventures and operating companies as well as real estate-related loans and debt securities. As discussed further in Item 8 of this brochure, Dune generally targets real estate and real estate-related investments on an opportunistic basis, including investments in distressed opportunities, underperforming and undervalued assets and value creation opportunities, including, ground-up development, redevelopment and land acquisition and development.

- C. Tailoring to individual Client needs.** Although Dune implements a substantially similar strategy for all of the Funds, Dune tailors its advisory services to the individual needs of a particular Fund, as may be necessary. Each Fund has a set of specific guidelines that may limit the strategy, size, concentration, geography, type of security and/or terms of the Fund’s underlying investments as described in each Fund’s governing documents. Dune generally advises families of Funds each of which may include multiple parallel Funds that invest side-by-side based on available capital in certain investments subject to Dune’s policies and each Fund’s governing documents.

Investment advice is provided directly to each Fund itself and not to the individual investors in the Funds. Although Dune does not provide tailored investment advice to the individual investors in the Funds, the General Partners and/or the Funds may enter into

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<sup>1</sup> “Fund” or “Client” means any fund for which Dune provides investment advice and/or makes investments or investment recommendations on a discretionary or nondiscretionary basis. The investors and other persons who invest in the Funds are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not refer to “investors.”

side letter agreements with certain investors which may modify such investors' rights or obligations under the operating agreements for a particular Fund.

Please note, some responses to Items in this brochure may vary with respect to certain Funds that may invest in single investments or a limited number of investments the terms of which are set forth in any such Funds' governing documents.

- D. **Wrap fee programs.** Dune does not participate in wrap fee programs.
- E. **Assets under management.** As of December 31, 2011, Dune managed approximately \$1,358,789,741 of client assets on a discretionary basis. Such amount is preliminary and unaudited.

## **Item 5            Fees and Compensation**

- A. How Dune is compensated for advisory services.** Dune's fee and compensation arrangements may vary depending on the particular Fund. The specific terms of such arrangements are set forth in each Fund's governing documents.

Generally, Dune is entitled to receive, quarterly in advance, a management fee calculated and charged to the limited partners in the Funds (and under certain circumstances members of the General Partners), generally during the commitment period in an amount equal to a fixed percentage per year of the total commitments to the Fund and after the expiration of the commitment period in an amount equal to a fixed percentage per year of the called capital, determined quarterly, in each case, subject to certain reductions. The management fee is specifically set forth in the governing documents for each Fund and is generally not negotiable except as may be provided in the governing documents of the Funds and the operating agreements of the General Partners.

In addition to the management fee, the General Partner of a Fund is entitled to receive performance-based compensation as described in Item 6 of this brochure.

- B. Deduction of fees from Client assets.** The Funds generally pay the management fee to Dune quarterly in advance. The management fee is generally deducted from the assets of the appropriate Fund and the investors in such Funds are not separately billed for such services by Dune. Each Fund's General Partner approves the payment by the Funds of the management fee on a quarterly basis in accordance with the operating agreements and offering documents for each of the Funds.
- C. Other types of fees or expenses.**

**Fees:** Generally, the Funds' operating agreements and offering documents permit the Funds to engage Dune or any one of its affiliates (each referred to herein as a "Manager Entity" and, collectively, as the "Manager Entities") as an agent in the acquisition, sale, financing or refinancing (or arrangement of financing) of a Fund's assets and indebtedness or to provide ongoing development or advisory services, subject to the receipt of any approvals required under the governing documents. To date, the Funds have not implemented any such engagement. To the extent any such engagement was contemplated by a Fund and subject to the receipt of any approvals required under the governing documents, the applicable Manager Entity would enter into a standard engagement letter with such Fund, describing the scope of bona fide services and the fee arrangements for such services, and would receive normal and customary fees, expenses and indemnities. If ever applicable, the fees charged by the Manager Entity would generally be charged to, and payable by, the asset owning entities in which each of the Funds invests. In addition, a Manager Entity may, subject to the receipt of any approvals required under the governing documents, provide other bona fide services to the Funds, including services such as due diligence, loan servicing, title insurance, construction management, property management, information technology and management, risk management and asset management in exchange for customary management and

incentive fees or allocations of income or gain. Manager Entities do not currently provide any such bona fide services to the Funds in exchange for such fees.

To the extent any break-up fees or any other types of transaction fees identified in a Fund's governing documents are earned in connection with a Fund's investment activities, such fees may be paid to Dune or any of its supervised persons and, generally, such fees will be applied as a credit to the next management fee payable by the Funds.

In addition to the foregoing fees, to the extent Dune offers co-investment opportunities in certain Fund investments (as further described in Item 11.C. of this brochure), Dune may be entitled to earn certain fees from any co-investor in connection therewith and such fees are neither payable to the Funds nor credited against future management fees.

**Expenses:** Generally, each Fund is responsible for the legal and other organizational expenses incurred in the formation of such Fund, however, in most cases, to the extent such organizational expenses in the aggregate exceed a threshold as set forth in the Fund's operating agreements and offering documents, such excess expenses are borne solely by the General Partner. Further, each Fund is responsible for the fees and expenses of placement agents; however, as further described in Item 14.B. of this brochure, generally the management fee payable by a Fund is reduced by the amount of fees paid to placement agents. The Funds are responsible for the costs and expenses directly related to their investments or prospective investments (whether or not consummated), such as brokerage commissions, interest on borrowings, fees and profit-sharing payments due to unaffiliated (and, under the circumstances described above, a Manager Entity) advisors, sub-advisors and consultants, legal and accounting expenses, travel expenses, hedging and financing expenses, specific expenses incurred in obtaining or maintaining systems, research and other information utilized with respect to each Fund's investment program and any withholding or transfer taxes imposed on the Funds, in each case, as described in the operating agreements and offering documents for the Funds. The Funds are also responsible for all costs of the administration of each respective Fund, including accounting, audit, administration and legal expenses, costs of any litigation or investigation involving each Fund's activities, financing costs, and costs associated with reporting and providing information to existing and prospective investors in the Funds. To the extent any such expenses are incurred by Dune and/or the Funds in connection with investments or prospective investments by the Funds, such expenses may be borne by the investment vehicles through which any such investment is made, including, without limitation, costs and expenses of any real estate brokers engaged in connection with any such transaction. Please see Item 12 of this brochure for further information on Dune's brokerage activities.

The Funds do not have their own employees or offices. Dune is responsible for its own general operating and overhead costs, provided that in certain instances the costs of internal staff responsible for maintaining the books and records of the Funds may be an expense that is borne by the Funds.

Any expenses common to one or more of the Funds or investments by the Funds or to any other accounts managed by Dune generally are allocated among such entities or

investments on a basis reasonably believed to be equitable and fair by Dune in accordance with the Funds' governing documents and Dune's policies. The costs and expenses directly relating to a Fund investment are generally allocated between the Funds in proportion to their respective commitments to such investment.

Please refer to the Funds' operating agreements and offering documents for further information regarding the fees and expenses of Dune and the Funds.

- D. **Payment of fees in advance.** As described further in Item 5.A. and B., the management fee is generally paid quarterly in advance. In the event Dune does not provide services for the full quarterly period, the management fee is generally not refundable to the investors in the applicable Fund.
- E. **No compensation for the sale of securities.** Neither Dune nor any of its supervised persons accepts compensation for the sale of securities or other investment products, except as may be described in Item 5.C. of this brochure.



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

When an investment owned by a Fund is realized, the General Partner of such Fund may be entitled to receive a distribution of the investment proceeds as performance-based compensation. The payment of any such performance-based compensation to the General Partner is subject to certain conditions being satisfied such as the prior return of capital to Fund investors and the payment to Fund investors of a predetermined rate of return on their invested capital as described in the governing documents for each Fund. Each Fund has established a distribution waterfall describing the distribution priority. Generally, performance-based compensation may be paid on a deal-by-deal basis in the General Partner's discretion subject to a clawback. For more information regarding the specific terms of performance-based compensation, please consult each of the governing documents for the Funds.

In accordance with the Funds' governing documents and the General Partners' operating agreements, the General Partner may, in its sole discretion, reduce or modify an investor's obligation to pay performance-based compensation. Performance-based compensation that may be due to the General Partner based on the Funds' performance may create an incentive for Dune to cause the Funds to make investments that are riskier or more speculative than would be the case if this special allocation were not made. However, in an effort to align the interest of the General Partner with the investors in the Funds, the General Partner generally makes a significant contribution to the Funds.

**Item 7           Types of Clients**

Generally, Dune provides investment advisory services to the Funds, which are privately offered pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended. Fund investors may include, without limitation, high-net worth individuals, pension plans, trusts, financial institutions, endowments and other U.S. and non-U.S. entities. Each investor is required to meet certain suitability requirements.

Typically, an initial investment in a Fund must be at least \$5 million, as set forth in the Funds' offering documents; however, Dune has the sole discretion to accept investments of a lesser amount, and has done so from time to time.

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

**Methods of Analysis and Investment Strategies.** As more fully described in each Fund's offering documents, the Funds' investment strategy is to make opportunistic investments primarily in North America in a broad range of real estate and real estate-related investments, including, single assets, portfolios, joint ventures and operating companies as well as real estate-related loans and debt securities. In executing the Funds' investment strategy, Dune relies upon its extensive expertise, experience and relationships in both real estate and capital markets to source, evaluate, execute and manage the Funds' investments. Dune generally targets real estate and real estate-related investments on an opportunistic basis, including investments in distressed opportunities, underperforming and undervalued assets and value creation opportunities, including, ground-up development, redevelopment and land acquisition and development, through a broad range of investment structures. Such structures include equity, preferred equity, mezzanine and debt interests, debt and equity restructurings and recapitalizations and structured finance transactions, across all property sectors, including office, retail, healthcare, multifamily/residential, industrial, hospitality and land development in a broad range of markets. Dune seeks to capitalize on opportunities where Dune believes the market value of the underlying asset is mispriced due to distress in the capital structure or dislocation in the capital or real estate markets. Dune also often pursues investments that it believes present unique opportunities to create value through the repositioning, development or redevelopment of assets.

In executing the investment strategy of the Funds, Dune expects to (i) employ leverage (subject to certain limitations in the Funds' governing documents), including, from time to time, credit facilities secured by the assets of the respective Fund and/or capital commitments of their investors, and (ii) work with unaffiliated third party joint venture partners with differing operational, development and financial capabilities. The Funds generally invest in limited partnerships, real estate investment trusts or limited liability companies that are structured for the purpose of holding the underlying real estate assets.

Dune focuses on risk management through comprehensive due diligence, including analysis of financial, legal, regulatory and tax considerations and assessment of transaction and partner risks. Dune's investment professionals are responsible for analyzing and underwriting investment opportunities which Dune is interested in pursuing. In evaluating opportunities, Dune may engage or consult with experts, operators, partners or other professionals to assist with its due diligence analysis, and risk and asset management processes, including, outside legal and tax advisers. As further described in Item 13 of this brochure, the Investment Committee meets as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments. The Investment Committee generally considers several factors in its evaluation of potential new investments to ensure such investments are consistent with the objectives of the Funds. Primary examples of such factors include, without limitation, financial performance, financing terms, market conditions, potential operating partners, execution risk and transaction timing, and potential exit strategies.

**Investment Risks.** There are significant risks inherent in the strategy of investing in real estate not associated with other investments and an investment in the Funds is only suitable for persons

of adequate financial means who have no need for liquidity from an investment in the Funds. Given the volatility of global real estate markets, investors in the Funds are subject to the risk of loss of all or substantially all of their investment in a Fund and prospective investors should not subscribe unless they can readily bear the consequences of such loss. There can be no assurance that a Fund's investment strategy will be successful. Set forth below as well as in other Items in this brochure is a summary of certain of the investment risks disclosed in greater detail in each of the Funds' offering documents. Please refer to each of the Funds' offering documents for more information on these and other risks relating to Dune's business and investments in the Funds.

*Nature of Assets.* The real estate in which the Funds invest may involve underperforming assets utilizing leveraged capital structures. In addition, due to the distressed nature of opportunities as well as the sales processes by which opportunities are marketed, Dune may have a limited amount of time to conduct due diligence.

*Lack of Diversification.* Dune may invest the Funds in a limited number of assets, and as a consequence, the aggregate returns realized by the Funds may be adversely affected by the unfavorable performance of a small number of such investments. Dune may also make investments that may not be diversified geographically or by asset class.

*Illiquid Investments.* The investments by the Funds are likely to be risky, illiquid and long term. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on the resale, refinancing or other disposition of the investments by the Funds.

*Leverage.* The investments may be highly leveraged, in which case lenders or other holders of senior positions may be entitled to a preferred cash flow prior to the Funds receiving a return. These investments may be subject to restrictive financial and operating covenants. The leverage may impair the ability of the entities to finance their future operations and capital needs and may limit their flexibility to respond to changing business and economic conditions and opportunities.

*Subordination Risk.* Debt investments made by the Funds may be unsecured and structurally or contractually subordinated to senior indebtedness, all or a significant portion of which may be secured. Moreover, such investments may not be protected by financial covenants or limitations upon additional indebtedness.

*Availability of Financing.* Dune's targeted returns may be dependent on the use of leverage, and the lack of available or attractive financing (including, both acquisition and construction financing) may adversely impact returns. Furthermore, in cases where assets fail to meet business plans, leverage may adversely impact returns.

*Inability to Influence Management.* Although the Funds may acquire or obtain the right to acquire management rights in connection with an investment, the Funds may not have an active role in the day-to-day management of an investment and the success or failure of such investment depends to a significant extent on the management of the underlying assets. In addition, the Funds may form partnerships with non-affiliated partners whose ability to influence the affairs of the entities in which the Funds invest may be significant. Further, certain of the non-affiliated operating partners with which a Fund may invest may be a partner of one or more

of the Funds on multiple investments. The terms of each investment may differ and to the extent a dispute arises between the Funds and such partner, the related investments may suffer.

*Investments in Real Estate.* Special risks associated with real estate investments include, without limitation, changes in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants, and changes in operating costs. Real estate values are also affected by factors such as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, and the availability of financing and potential liability under environmental and other laws.

*Development and Pricing Uncertainties.* Development projects include risks of cost overruns, as well as the risk of accurately predicting rental rates for income producing projects (hotels and retail) and sales prices for “for sale” assets (condos/condo hotels). The risks of cost overruns in connection with development projects, including ground-up development, land development and other major redevelopments, may occur as a result of multiple factors including, without limitation, increases in costs of labor or materials, changes in law and/or increases in the time required to complete a project. Any such increases could have a negative impact on Dune’s targeted returns for a development project.

*Debt Securities.* Debt securities are subject to the risk of an issuer’s ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk).

*Distressed Securities.* Dune may elect to purchase securities and other obligations of companies that are experiencing significant financial or business distress, including entities involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk, including bankruptcy and may not show any return for a considerable period of time.

*Interest Rate Hedging Transactions.* In connection with floating rate debt on any of its investments, the Funds may enter into interest rate swaps, caps or other hedging transactions. While such transactions may reduce certain risks, such transactions themselves entail certain risks. Unanticipated changes in interest rates may result in a poorer overall performance for the Funds than if they had not entered into any interest rate hedge transactions. In addition, there may not be a limit on the exposure that the Funds may incur to any single counterparty under OTC derivatives instruments, exchange-listed securities options, repurchase agreements or other similar transactions and, as a result, if any such counterparty became unable to pay amounts due to the Funds on such instruments or transactions, the financial losses to the Funds would be greater than if such limits were imposed.

*Foreign Currency and Exchange Rates; Currency Hedging and Derivative Transactions.* Acquisition of non-U.S. investments may involve transactions in non-U.S. dollar currencies. The Funds may be affected favorably or unfavorably by changes in currency rates and in foreign exchange control regulations and incur costs in connection with conversions between various currencies. In connection with non-U.S. investments, the Funds may employ hedging techniques involving risks different than those of their underlying investments. Such

techniques can involve transactions in forward foreign currency, currency options, and currency and interest rate swaps and other derivative instruments. While such transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while the Funds may benefit from the use of hedging techniques, unanticipated changes in interest rates, securities prices, or currency rates may result in a poorer overall performance for the Funds than if they had not entered into any hedging transactions.

*Changes in the Law; Regulatory Risks.* Amendments or modifications to relevant laws could alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment. Each Fund relies on various exemptions from registration under various federal and state statutes and laws, such as the Securities Act of 1933, the Investment Company Act of 1940 and the Employee Retirement Income Security Act of 1974, each as amended. Changes in any such statutes, rules or laws could impact a Fund's ability to conduct its business as currently contemplated.

**Item 9            Disciplinary Information**

There have been no legal or disciplinary events to disclose that are material to an investor's or prospective investor's evaluation of Dune's advisory business or integrity of management.

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

- A. Broker-dealer registration.** Neither Dune nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Commodity industry registration.** Certain of the related person entities that serve as a General Partner to any of the Funds are exempt from registration with the CFTC as Commodity Pool Operators, under CFTC Rule 4.13(a)(4).
- C. Material relationships.** Certain employees of Dune (including such employees' family members and/or investment vehicles) may hold an ownership interest and/or may be entitled to an allocation of performance-based compensation in certain of the General Partners. Dune and its related persons may also form other partnerships or entities and offer investment opportunities in such partnerships and entities in accordance with the operating agreements and offering documents of the Funds as more particularly described in Item 11 of this brochure. Dune's indirect principal owner, Daniel Neidich, has an indirect ownership interest in Dune Capital Management LP ("DCM"), an entity which serves as an investment advisor to private fund clients, and in Dune Capital Partners II LP ("DCP"), an entity which serves as the general partner to certain of DCM's private fund clients. DCM and DCP are considered related persons of Dune as a result of such indirect ownership by Mr. Neidich; however, neither Mr. Neidich nor any entity controlled by Mr. Neidich maintains any management or voting control of DCM or DCP. Dune is currently a party to an office sharing arrangement with DCM. Potential conflicts of interest pertaining to DCM are mitigated by the fact that DCM and Dune are separate businesses, by the fact that DCM is currently in the process of liquidating certain of its managed investments, and through policies and procedures implemented by Dune to restrict access to confidential and proprietary information. As stated in Item 4.A., the Funds were previously managed by DCM, however, on January 1, 2010 Dune assumed management responsibility of the Funds from DCM.
- D. Other Advisers.** Dune does not recommend or select other investment advisers for the Funds.



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

A. **Code of Ethics.** Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), Dune adopted a Code of Ethics (referred to in this brochure as the “Code”). The Code sets forth standards of conduct that are expected of Dune employees and certain associated persons and addresses conflicts of interest. Dune employees are also required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by Dune or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Dune’s personnel. The Code requires that personnel pre-clear certain public and private personal securities transactions, report personal securities transactions in accordance with the Code, on at least a quarterly basis and submit reports to Dune regarding personal accounts and reportable securities holdings at least annually. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. Employees are required to provide a written certification to Dune as to agreeing to comply with the Code upon hire, and their ongoing compliance annually thereafter. Copies of this Code may be requested by contacting Michael D. Sherman, Dune’s Chief Compliance Officer, at (212) 301-8337 or at [legal@drepp.com](mailto:legal@drepp.com).

B., C. and D.

**Participation or Interests in Client Transactions and Personal Trading.** Generally, except as permitted in the Funds’ governing documents, Dune or a related person does not recommend to the Funds, or buy or sell for the Funds’ accounts, securities in which Dune or a related person has a material financial interest. Generally, except as permitted in the Funds’ governing documents, Dune or a related person does not (i) invest in the same securities that Dune or a related person recommends to the Funds or (ii) recommend securities to the Funds, or buy or sell securities for the Funds’ accounts, at or about the same time that Dune or a related person buys or sells the same securities for Dune’s or the related person’s own account. Notwithstanding each of the foregoing statements, from time to time, employees may seek approval from the Chief Compliance Officer in accordance with the Code to purchase certain securities for themselves in which the Funds may hold or may be seeking to acquire an ownership interest.

**Allocation of Investment Opportunities and Other Accounts.** From time to time, investment opportunities may arise that are appropriate for an investment by more than one Fund. The governing documents for the Funds and Dune’s policies generally set forth the allocation guidelines to apply if and to the extent an opportunity is appropriate for more than one Fund at a particular point in time. Such documents generally provide Dune with the discretion to allocate on a fair and equitable basis. In addition, parallel Funds within a family of Funds generally invest in a transaction side-by-side based on available capital subject to Dune’s policies and each Fund’s governing documents.

Further, Dune or its affiliates may form other partnerships or entities to make investments and offer investment opportunities in and provide investment advisory services to such entities from time to time, in accordance with the governing documents for the Funds. Dune may from time to time determine that an investment opportunity may be too large for a particular Fund due to concentration or other factors and may allocate such opportunity among one or more of the Funds in accordance with the governing documents for the Funds and Dune's policies.

**Directors and Officers.** Certain employees of Dune may serve as directors or officers of entities through which investments by the Funds are held.

**Co-Investment Opportunities.** Dune may offer (or permit the offering of) investment opportunities, including co-investment opportunities, in certain Fund investments. To the extent Dune or the General Partners receive any compensation or fees as a result of such co-investment arrangement, such fees are neither payable to the Fund nor credited against future management fees. Subject to the receipt of any approvals that may be required under the governing documents of the Funds, Dune may offer such co-investment opportunities to its employees, officers or directors or to Manager Entities. The allocation of investment opportunities is described further in the governing documents for the Funds and Dune's policies.

**Advisory Committee.** Each family of Funds has an advisory committee of certain investors primarily to evaluate and advise on potential conflicts of interests.

**Potential Conflicts of Interest; Affiliated Transactions.** Subject to the General Partner determining it is in the best interest of the Funds and the receipt of any approvals that may be required under the governing documents of such Funds, investments (or portions thereof) may be sold or transferred from one Fund to another or to or from one or more affiliates of a Fund. Additionally, subject to the receipt of any requisite approvals under the Funds' governing documents, from time to time, one or more of the Funds may seek to make an investment in the same issuer having a different seniority in the issuer's capital structure. Such transaction may result in a conflict between the interests of such Funds' if the issuer becomes distressed and is unable to satisfy the claims of all creditors and security holders.

## **Item 12      Brokerage Practices**

- A. Dune has full discretion on the types of investments to be made by the Funds subject to each of the Funds' investment strategy and purpose as set forth in the operating agreements and offering documents for each of the Funds respectively. Dune generally does not make recommendations for investments by the Funds in public securities as most investments are in privately negotiated real estate-related transactions. Accordingly, Dune does not frequently select or recommend broker-dealers for client transactions. In the event that a broker-dealer is selected or recommended, Dune employs a due diligence process to ensure that any such transaction is executed in the best interest of the Fund taking into account certain factors such as a broker's execution capability and trading expertise in addition to pricing.

The Funds do participate in currency and interest rate hedging transactions and Dune generally uses a third party vendor to help provide quotes from multiple counterparties. Fund transactions are executed with the counterparty with the intent of seeking best execution for the Funds.

1. Dune does not have any soft dollar arrangements.
  2. Dune does not consider whether Dune or a related person of Dune receives Fund or investor referrals from a broker-dealer or third party because Dune does not frequently select or recommend broker-dealers.
  3. Dune does not have directed brokerage dealings.
- B. Generally, aggregation of the purchase or sale of securities for various Fund accounts does not apply to Dune as Dune primarily invests in private real estate-related investments. See also Item 11.B., C. and D. of this brochure.

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

- A. **Monitoring of accounts.** Dune's investment professionals continually review and monitor the Funds' investments. Dune's investment professionals routinely meet to discuss asset management activities as well as potential new investment opportunities. Dune's Investment Committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments, including, without limitation, dispositions and refinancings. The members of the Investment Committee are Daniel Neidich, Cia Buckley, David Oliner, Gregory Rush, Russell Gimelstob, Jonah Sonnenborn, Darren Berk (non-voting), Michael Sherman (non-voting) and Allie Sweeney (non-voting).

Dune's investment professionals periodically review the business plans and budgets formulated for each investment. In addition, Dune generally has major-decision approval rights with respect to real estate equity investments acquired with joint venture partners. Dune continually reviews the financial progress of the Funds' investments, as well as related real estate and capital market conditions. The investment professionals participate in quarterly asset management reviews of each investment by the Funds as well as quarterly valuation meetings with Dune's Valuation Committee which is chaired by the Chief Financial Officer. Quarterly, Dune's Valuation Committee conducts a fair value analysis of each investment in accordance with Dune's valuation policy. The investment professionals that are primarily responsible for a particular investment continually analyze and evaluate each investment and communicate with the property manager, operator and/or developer partner with respect to the asset and its operations. In addition, Dune's investment professionals engage in site visits and/or meetings with the managers, operators and/or developer partners at each investment on a regular basis.

- B. **Review triggers.** Dune's investment professionals regularly supervise and monitor the activities of the Funds, as referenced in Item 13.A of this brochure.
- C. **Reports to Clients.** Dune holds an annual meeting with the investors in the Funds to review and discuss the Funds' investment activities. In addition, Dune generally holds periodic conference calls with the Funds' investors to provide investment updates and in connection with such calls Dune generally provides summary materials containing investment updates. Further, on a periodic basis Dune may provide update letters as to the Funds' activities to the Funds' investors, including information as to new acquisitions or dispositions of investments.

In addition, Dune furnishes to all of the Funds' investors audited financial statements with respect to each Fund annually generally within 90 days after year end and unaudited financial statements generally within 90 days of the end of each calendar quarter. Tax information is provided when available to investors and annual tax information is generally provided by April 15<sup>th</sup> annually.

Dune may also distribute certain other reports to the Funds' investors upon specific request from time to time. More information related to such reports is found in the Funds' governing documents.

**Item 14            Client Referrals and Other Compensation**

- A. **Third party compensation.** Dune does not receive economic benefits as a result of investment advice or advisory services provided by Dune to the Funds, other than from the Funds.
- B. **Compensation for Client referrals.** Neither Dune nor any of its related persons compensates any person who is not a supervised person for Fund referrals. However, from time to time, in the context of organizing a Fund, the Funds may compensate one or more placement agents for referrals of Fund investors. In such case, generally the management fee payable by a Fund is reduced by the amount of fees paid to placement agents.

## **Item 15        Custody**

With respect to the management of investments for the Funds, Dune or the General Partners may have, or may be deemed to have, custody of certain monies or securities of the Funds. Rule 206(4)-2, under the Advisers Act (the “Custody Rule”), imposes specific conditions on Dune as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule and are held by the Funds. Dune adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner or managing member. All Fund securities and other assets that fall under the purview of the Custody Rule are held with at least one qualified custodian to the extent required by the Custody Rule. In addition, Dune delivers to all investors (or other beneficial owners) in each of the Funds an audited financial statement for their Fund, with a written opinion of an independent public accountant, in accordance with generally accepted accounting principles, on an annual basis and within 120 days of each Fund’s fiscal year end.

**Item 16            Investment Discretion**

Dune exclusively manages the business of the Funds and has discretionary investment authority to manage the making of new investments by the Funds and the management of the existing investments held by the Funds. Generally, this discretionary authority is provided for in each Fund's governing documents and the investment management agreement with Dune and is subject to the terms and limitations thereon set forth in such agreements. Please refer to Item 4 of this brochure for information regarding Dune's advisory business.



## **Item 17        Voting Client Securities**

A and B.

Pursuant to Rule 206(4)-6 of the Advisers Act and in accordance with Dune's fiduciary duty, Dune adopted a general policy to vote proxies for companies in which Funds have investments in the best interest of the Funds as determined by Dune. Dune maintains that company management generally is best suited to make the decisions that are essential to the ongoing operation of the company. Therefore, Dune generally will vote proxies in line with company management. However, if a situation arises where Dune believes that company management's proposal does not maximize value for the Funds, Dune will vote against company management. In such instances, the reason for the decision and a record of the vote will be retained by Dune.

A situation may occur in which Dune is required to vote a proxy while a conflict of interest with a Fund exists. To protect the Funds against a breach of Dune's duties owed to them, on any occasion when Dune believes that a proxy vote may present a conflict of interest, Dune's investment professionals will conduct a conflict analysis accordingly. Dune will document the matter and preserve such documentation in accordance with its policy on record retention.

Fund investors may contact Michael D. Sherman by telephone, at (212) 301-8337 or email at [legal@drepp.com](mailto:legal@drepp.com) to obtain a copy of Dune's proxy voting policy or to obtain any other information with respect to proxy votes, including how proxies were voted.

**Item 18      Financial Information**

- A. Dune does not require or solicit prepayment of fees per Fund six months or more in advance.
- B. Dune is not aware of any financial conditions that would be reasonably likely to impair Dune's ability to meet contractual commitments to the Funds.
- C. Dune has not been the subject of a bankruptcy petition at any time during the past ten years.

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

Dune is not registering and is not already registered with one or more state securities authorities. Therefore, this Item 19 is inapplicable.