

INVESTMENT ADVISER BROCHURE

ALLIANCE INVESTMENT ADVISORS LLC

**2415 East Camelback Road
Phoenix, AZ 86016**

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Alliance Investment Advisors LLC (“AIA”). If you have any questions about the contents of this Brochure, please contact Matt Smith, AIA’s Chief Compliance Officer, at 602-778-2800. 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 authority.

AIA is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding AIA is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

There have been no material changes to this Brochure since the last version dated November 16, 2011.

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ADVISORY BUSINESS

Alliance Investment Advisors LLC (“AIA”) is a private investment management firm affiliated with Alliance Residential Company (collectively with several other organizations affiliated with Alliance Residential Company, “Alliance”).

Alliance is a fully-integrated multi-family platform focused on making investments in multi-family acquisitions and development, as well as providing real estate management services on behalf of clients throughout the United States.

AIA, a Delaware limited liability company and a registered investment adviser, commenced operations in March of 2008. AIA was formed to provide “investment supervisory services” to its clients (“Clients”) through managed accounts (“Managed Accounts”) and private investment funds (“Private Investment Funds”), including Alliance Residential Fund I, LP, a Delaware limited partnership (“Fund I”). AIA’s investment advisory services to Clients consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly through negotiated transactions in non-public real estate investments.

Typically, pursuant to a Private Investment Fund’s agreement of limited partnership (or similar governing document) (each, a “Partnership Agreement”), a Private Investment Fund’s general partner (each, a “General Partner”) has the authority to manage the business and affairs of such Private Investment Fund, which authority the General Partner delegates to AIA as the Private Investment Fund’s management company pursuant to an investment management agreement (each, an “Investment Management Agreement”). The General Partner has no personnel other than those persons associated with AIA and relies on AIA’s registration as an investment adviser. For Managed Accounts, the scope of AIA’s discretionary and non-discretionary advisory services and any applicable investment guidelines and restrictions are set forth in managed account agreements (each, a “Managed Account Agreement”). Accordingly, an existing or prospective investor should review, as applicable, its Managed Account Agreement or the Private Investment Fund’s Partnership Agreement and/or Investment Management Agreement for further details regarding the advisory services provided by AIA to the relevant Managed Account or Private Investment Fund.

Each General Partner is registered under the Advisers Act pursuant to AIA’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with AIA.

As of December 31, 2011, AIA managed approximately \$307.3 million in Client assets on a discretionary basis. AIA’s principal owners are Bruce C. Ward (indirectly through his membership in Baker Street Holdings, L.L.C.), John T. Rippel and V. Jay Hiemenz.

FEES AND COMPENSATION

AIA does not have a set fee schedule for the services it provides to Clients. In general, AIA receives a management fee and AIA or one of its affiliates, such as a General Partner, typically receives a performance-based fee, such as a carried interest, in connection with advisory services provided to Clients. Affiliates of AIA may also receive additional

compensation in connection with management and other services performed in connection with a Client's investments. Investors also bear certain investment-related expenses.

Management Fees

AIA generally earns a management fee ("Management Fee") in connection with the advisory services it provides to Clients.

For Managed Accounts, Management Fees are negotiated with the Client and will vary depending upon a Client's investment objectives. Typically, such fees are based on a Client's invested capital or the value of the assets under management. The terms of payment are set forth in the Managed Account Agreement, but such fees are generally accrued and paid monthly or quarterly and are payable until the Managed Account Agreement is terminated. In the event a Managed Account Agreement is terminated and fees have been paid in advance, the Client may receive a pro rata refund of such fees based on the number of days for which services were provided during the period in question as set forth in the Client's Managed Account Agreement.

For each Private Investment Fund, Management Fees are negotiated between the General Partner and the prospective investors and are set forth in the applicable Partnership Agreement or Investment Management Agreement for the Private Investment Fund. Typically, a Private Investment Fund's Management Fees are a percentage of aggregate investor capital commitments while a Private Investment Fund is actively making investments. Management Fees may be reduced or based on invested capital when the Private Investment Fund is no longer actively making investments. Management Fees are generally payable until all of a Private Investment Fund's portfolio investments are disposed or until AIA's relationship with the Fund is terminated for other reasons, as described in the applicable Partnership Agreement or the Investment Management Agreement. Management Fees are generally payable quarterly in advance and installments payable for any period other than a full quarterly period are adjusted on a *pro rata* basis according to the actual number of days in such period.

Other Fees

Affiliates of AIA may provide non-advisory services, such as development, re-development, construction and property management services, for a Client's underlying investments and may provide other services to a Client or its underlying investments, in each case that would otherwise be performed for such Client by third parties on terms that are determined by the Investment Manager or the General Partner, as applicable, to be fair and reasonable to the Client. In such circumstances, the affiliates of AIA will earn fees for performing such services (which may include employee costs and related overhead expenses allocable thereto), and the rate of such fees generally will be comparable to the rate that would be payable by such Client if such services were provided by third parties in the business of providing comparable services on an arm's-length basis (or as otherwise set forth in the applicable Managed Account Agreement or Partnership Agreement).

Carried Interest

AIA or its affiliates, such as a General Partner, may receive performance-based fees with respect to the performance of a Client's investments. Such fees may be based on the

appreciation of the Client's assets under management, such as a carried interest on a Private Investment Fund's realized profits, or may be based on other criteria, such as performance relative to a benchmark or index. Performance-based fees may also be contingent upon a Client receiving a specified return. For example, the carried interest distributed to a General Partner (or a portion thereof) may be subject to a potential giveback at the end of a Private Investment Fund's life if such General Partner has received excess cumulative distributions. A Client should review, as applicable, its Managed Account Agreement or the relevant Partnership Agreement for a full description of any such performance-based fees.

Other Information

AIA may exempt certain Clients and/or investors in Private Investment Funds (including AIA, its affiliates and any other person designated by AIA or a General Partner) from payment of all or a portion of Management Fees and/or performance-based fees. For investors in a Private Investment Fund, any such exemption from fees and/or carried interest may be made by a direct exemption, through other Private Investment Funds which co-invest with the Fund or as otherwise set forth in the applicable Partnership Agreement.

Managed Account fees are generally billed to the Client or, at the Client's direction, to the Client's custodian and may be paid directly by the Client or deducted from the Client's account. For Private Investment Funds, the applicable fund generally pays fees to AIA or the General Partner on such fund's behalf. The Private Investment Funds invest on a long-term basis. Accordingly, Management Fees and any other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the Private Investment Fund (and investors generally are not permitted to withdraw or redeem interests in such Private Investment Fund, as applicable).

Principals or other employees of AIA may receive a portion of the Management Fee, performance-based fee or other compensation received by AIA or its affiliates.

In addition, Clients bear certain expenses as set forth in the applicable Managed Account Agreement or Partnership Agreement. Clients typically incur investment-related costs and expenses, as well as costs and expenses of any third parties providing services to such Client, including, without limitation, administration, custody, tax, accounting, brokerage and legal costs and expenses. Generally, a Private Investment Fund also bears organizational expenses, subject to any limitations in the applicable Partnership Agreement or the Investment Management Agreement. Overhead and similar expenses are typically the responsibility of the General Partner or AIA. AIA generally allocates costs and expenses to Clients on a pro rata basis if such costs and expenses are attributable to more than one Client.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," AIA or its affiliates typically receive a performance-based fees from Clients. AIA does not currently advise any Clients not subject to a performance-based fee, although it has the right to do so in the future, including, without limitation, by waiving carried interest with respect to certain persons invested in a Private Investment Fund or with respect to a co-investment vehicle investing alongside a Private

Investment Fund, as described under “Fees and Compensation.” Advising both Clients charged a performance-based fee and not charged a performance-based fee could present certain conflicts of interest for AIA in allocating investment opportunities among Clients. AIA maintains an allocation policy in order to allocate investment opportunities in a manner that it believes is fair and equitable and mitigates potential conflicts of interest that could arise if, for example, certain Clients were not charged a performance-based fee.

TYPES OF CLIENTS

AIA provides investment advice to Clients, including Private Investment Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “Investment Company Act”). AIA’s Clients, and the underlying investors participating in Private Investment Funds, typically are institutional investors, such as banks or thrift institutions, insurance companies, corporations or pension and profit-sharing plans, but may also include individuals, trusts or estates, charitable organizations, other investment or business entities or, directly or indirectly, principals or other employees of AIA and its affiliates.

AIA’s minimum investment requirements vary among Clients, although the required minimums tend to be sizable given that most Clients’ underlying investments are investments in real estate. For example, Fund I, which is now closed to new investors, had a minimum investment amount of \$25 million for third-party investors. Minimum investment amounts generally may be waived by AIA or the relevant General Partner. In addition, AIA typically provides advisory services only to investors that are qualified purchasers (as defined in the Investment Company Act).

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategy

In general, AIA’s investment strategy for its Clients is to seek to acquire and develop market-rate apartment projects throughout the United States. AIA utilizes its vertically-integrated platform to acquire, re-develop, develop, construct and manage U.S. multi-family properties in order to attempt to maximize Clients’ investment performance. Clients may make various types of investments, including investing in equities or debt instruments, including mortgages, secured by rental apartment projects and/or pledges in the equity owners of such rental apartment projects, which are intended to result in eventual ownership of the underlying property.

Subject to any limitations set forth in the applicable Managed Account Agreement or Partnership Agreement, AIA may pursue the acquisition of existing real estate investments with a variety characteristics and redevelopment and new development of multi-family properties. In order to better leverage Alliance’s sourcing and development expertise, AIA may focus on making investments in those geographic regions in which Alliance has an established presence.

The specific investment strategies pursued by AIA on behalf of a Managed Account will be subject to any investment restrictions or limitations set forth in the Client’s Managed Account Agreement. Prospective Private Investment Fund investors and investors should review a

Private Investment Fund's Partnership Agreement and offering documents for more information about a Private Investment Fund's investment objectives, strategies and limitations. There can be no assurance that any Client will achieve its investment objectives, and a loss of investment may be possible.

Risks of Investment

Each Client bears the risk of loss that AIA's investment strategy for such Client entails. There can be no assurance that AIA will meet a Client's investment objectives or otherwise be able to successfully carry out its investment program or that there will be any return of capital. A prospective investor should only invest in a Managed Account or a Private Investment Fund as part of an overall investment strategy and only if such investor is able to withstand a total loss of its investment. Prospective investors should not construe the performance of earlier investments by AIA or its affiliates as providing any assurances regarding the future performance of a Managed Account or a Private Investment Fund.

Private Investment Fund investors should review the applicable private placement memorandum or similar offering document for specific information regarding the risks associated with an investment in a given Private Investment Fund. Outlined below are real estate investment-related risks typically associated with AIA's investment strategy. To the extent a Managed Account Client has authorized AIA to make the types of investments and use the investment techniques described below, the investment risks described herein are also generally applicable to investments made on behalf of Managed Account Clients.

Risks Related to Real Estate Investments

General Real Estate Considerations. Real estate investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate or in national or international economic conditions; (ii) local conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management; (iv) competition based on rental rates; (v) attractiveness and location of the properties and changes in the relative popularity of property types and locations; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in real estate tax rates and other operating costs and expenses; (ix) energy and supply shortages; (x) changes in interest rates and the availability of debt financing; (xi) uninsured losses or delays from casualties or condemnation; (xii) government regulations (including those governing usage, improvements, zoning and taxes) and fiscal policies; (xiii) potential liability under changing environmental and other laws; (xiv) risks and operating problems arising out of the presence of certain construction materials; (xv) structural or property level latent defects; and (xvi) acts of God, acts of war (declared or undeclared), terrorist acts, strikes and other factors beyond the control of AIA, a General Partner or their affiliates. 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.

Investments in Real Estate Debt. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments

generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or 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 exercise of contractual remedies for defaults of such investments. Debt investments have special inherent risks relative to collateral value. In certain circumstances, a Client's loans may not be secured by a mortgage, but instead by partnership interests or other collateral that may provide weaker rights than a mortgage. In any case, in the event of default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of the investment). Returns on an investment of this type depend on the borrower's ability to make required payments and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.

Non-Performing Loans; Foreclosure Process. Real estate loans acquired by a Client may be at the time of their acquisition, or may become after origination, participation or acquisition, non-performing for a wide variety of reasons. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such real estate loan, replacement "takeout" financing will not be available. Investments in properties operating under the close supervision of a mortgage lender or under bankruptcy or other similar laws are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Client's original investment therein. For example, in certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments may be required to be returned if such payment is later determined to have been a fraudulent conveyance or a preferential payment. To the extent that a Client purchases partial interests in non-performing loans, a Client may not have control over the workout process and the management of the real estate assets. It may be necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a Client. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan, including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Investments in Other Troubled Assets. A Client may make substantial investments in nonperforming or other distressed assets which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome. Investments in properties operating under the close supervision of a mortgage lender or under bankruptcy or other similar laws are, in certain circumstances, subject to certain additional potential liabilities which may exceed the value of a Client's original investment therein. For example, under certain circumstances, lenders who have inappropriately exercised

control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions to a Client, including distributions by a Private Investment Fund to a Private Investment Fund's limited partners, may be required to be returned if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Nature of Subordinate Debt Investments. To the extent that a Client makes or acquires subordinated or "mezzanine" debt investments, a Client does not anticipate having absolute control over the underlying collateral as a Client will be dependent on third-party borrowers and agents and will have rights that are subordinate to those of senior lenders. A Client's subordinated or mezzanine debt interests may be in real estate companies and real estate-related companies and properties whose capital structures may have significant leverage ranking ahead of a Client's investment. While AIA or a General Partner may anticipate that a Client's investments will usually benefit from the same or similar financial and other covenants as those enjoyed by the leverage ranking ahead of a Client's investments and will usually benefit from cross-default provisions, some or all of such terms may not be part of particular investments. AIA or the General Partners anticipate that a Client's usual security for these types of investments will be pledges of ownership interests, directly and/or indirectly, in a property-owning entity, and in many cases a Client may not have a mortgage or other direct security interest in the underlying real estate assets. Moreover, it is likely that a Client will be restricted in the exercise of its rights in respect of these types of investments by the terms of subordination agreements between it and the leverage ranking ahead of a Client's capital. Accordingly, a Client may not be able to take the steps necessary to protect its investments in a timely manner or at all and there can be no assurance that the rate of return objectives of a Client or any particular investment will be achieved. To protect its original investment and to gain greater control over the underlying assets, a Client may need to elect to purchase the interest of a senior creditor or take an equity interest in the underlying assets, which may require additional investment by such Client.

Usury Limitations. Interest charged on loans owned by a Client may be subject to state and foreign usury laws imposing maximum interest rates and penalties for violation, including restitution of excess interest and unenforceability of debt.

Potential Environmental Liabilities. Under various U.S. federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on a Client's return from such investment.

Debt Financing; Leverage. A Client may expect to leverage its investments with debt financing at the property or operating company level. Although the use of leverage may enhance

returns and increase the number of investments that can be made, it increases the exposure of a Client's investments to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investments and substantially increases the risk of loss of principal. Debt service requirements may deplete cash flows and relatively small changes in the overall value of investments will have a magnified impact on the value of the equity of a Client. While the use of leverage by a Client has the potential to enhance overall returns that exceed a Client's cost of funds, it will further diminish returns (or increase losses on capital) to the extent overall returns are less than such Client's cost of funds.

Principal and interest payments on indebtedness (including mortgages having "balloon" payments) may be required regardless of the sufficiency of cash flow from the properties. Mortgages requiring "balloon" payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan, since the ability to repay the outstanding principal amount of a "balloon" loan may be dependent upon the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the underlying property in particular. There is no assurance that replacement financing will be available to make "balloon" payments or that any replacement financing available will be on favorable terms. In situations in which a Client has used leverage, such Client's investment may be impaired by a smaller decline in the value of the properties than is the case where properties are owned with a proportionately smaller amount of leverage. Depending on the level of leverage and decline in value, if mortgage payments are not made when due, one or more of the properties may be lost (and a Client's investment therein rendered valueless) as a result of foreclosure by the mortgagee(s). A foreclosure may also have substantial adverse tax consequences for a Client, including a Private Investment Fund's investors.

Lenders or other holders of senior positions will be entitled to cash flow prior to a Client receiving a return on leveraged investments, and, in the event a Client investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of such Client's investment in such investment will be significantly reduced or even eliminated. In addition, debt financing may restrict the amount of funds available for distribution. Certain tax-exempt investors may be subject to unrelated business income taxation because of the use of leverage. In order to limit a Client's indebtedness, AIA or a General Partner (or the Client itself, in the case of a Managed Account) may limit such Client's ability to incur any indebtedness for borrowed money secured by the Client's investments (or incurred to acquire mezzanine loans) if such incurrence would cause the Client's total indebtedness for borrowed money secured by the Client's investments (or incurred to acquire mezzanine loans) to exceed a specified ratio. In addition, borrowings by a Client under a credit facility may be secured by the Client's assets, as well as, in the case of the Private Investment Funds, limited partners' commitments to make capital contributions.

Multi-Step Acquisitions. In the event a Client chooses to effect a transaction by means of a multi-step acquisition, there can be no assurance that the remainder can be successfully acquired. This could result in a Client having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

Interest Rate Risks. A Client will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of the Client's investments. Changes in the general level of interest rates can affect a Client's income by affecting the spread between the income on its assets and the expense of its interest-bearing liabilities, as well as, among other things, the value of its interest-earning assets, the capitalization rate at which its assets are valued in the market and its ability to realize gains from the sale of investments. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of AIA or a General Partner. A Client may finance its investment activities with both fixed and floating rate leverage. With respect to its floating rate leverage, a Client's performance may be affected adversely if such Client fails to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. Should a Client so elect (and it will be under no obligation to do so), the use of these instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce a Client's earnings and funds available for distribution to its investors and that such losses may exceed the amount invested in such instruments. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. A Client may also be exposed to the risk that the counterparties with which such Client trades may cease making markets and quoting prices in such instruments, which may render such Client unable to enter into an offsetting transaction with respect to an open position.

Market Dislocation. An extended or worsening economic downturn could adversely affect the financial resources of a Client and its investments, and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such circumstances, a Client could lose both invested capital in, and anticipated profits from, the affected investments. The recent financial crisis has led to a marked decrease in the availability of financing (and, in many cases, an increase in the interest cost) for leveraged transactions, which may impair a Client's ability to consummate certain transactions or cause such Client to enter into such transactions on less attractive terms.

Potential Restrictive Covenants. A Client may enter into a credit facility with one or more lenders in order to finance its operations (including the acquisition of a Client's investments). Any such credit facility may contain a number of common covenants that, among other things, might restrict the ability of such Client to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; (viii) in the case of a Private Investment Fund, make capital calls to the partners or permit partners to transfer their interests in such Private Investment Fund; or (ix) engage in certain transactions with affiliates, and otherwise restrict corporate activities of such Client (including its ability to acquire additional investments, businesses or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require a Client to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. A Client may incur

indebtedness under such credit facility that bears interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various Client purposes.

Illiquid Investments. The investments made by a Client generally are expected to be illiquid. Given the nature of the investments contemplated by a Client, there is a significant risk that such Client will be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy within any given period of time. In particular, these risks could arise from changes in the financial condition or prospects of the person or entity in which the investment is made, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which investments are made. Dispositions of investments may be subject to contractual and other limitations on transfer (including prepayment penalties with respect to property-level debt) or other restrictions that would interfere with the subsequent disposition of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, it is unlikely that there will be a public market for the investments held by a Client. A Client generally will not be able to sell its investments publicly unless the sale is registered under applicable U.S. federal and state securities laws, or unless an exemption from such registration requirements is available. Furthermore, in some cases a Client may be prohibited by contract from selling investments for a period of time.

Possibility of Future Terrorist Activity. In the current environment, there is a risk that one or more of a Client's investments will be directly or indirectly affected by terrorist attack. An attack could have a variety of adverse effects on the business and performance results of one or more of a Client's investments or subsequently acquired investments, including risks and costs related to the destruction of property, inability to use one or more properties for their intended uses for an extended period, decline in rents achievable or property value and injury or loss of life, as well as litigation related thereto. Such risks may not be insurable or subject to increased insurance premiums and deductibles that AIA or a General Partner deems uneconomic. It is not possible to predict the severity of the effect that any such future events would have on the U.S. financial and insurance markets and economy or a Client's investments. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming demand for and the value of a Client's investments.

Insurance May Not Cover All Losses. Uninsured and underinsured losses could harm a Client's financial condition, results of operations and ability to make distributions to its investors, if any. Various types of losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pollution or environmental matters, generally are either uninsurable (or not economically insurable) or may be subject to insurance coverage limitations, such as large deductibles or co-payments or insurance only being available in amounts less than the full market value or replacement cost. In general, losses related to terrorism are becoming harder and more expensive to insure against. Some 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. As a result, there can be no assurance that all investments will be insured against terrorism, or that particular risks which are currently

insurable will continue to be insurable on an economic basis. Should an uninsured loss or a loss in excess of insured limits occur, a Client could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. In that event, a Client might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to the Fund's ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans, and other factors might also keep a Client from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds a Client receives might be inadequate to restore such Client's economic position on the damaged or destroyed investment.

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

Americans with Disabilities Act and Similar Laws. Under the U.S. Americans with Disabilities Act of 1990, as amended (the "ADA"), all public accommodations in the U.S. must meet U.S. federal requirements related to access and use by disabled persons. If one or more of the properties in a Client's portfolio does not comply with the ADA, then such Client may be required to incur costs to bring the property into compliance, which may or may not have been foreseen at the time of acquisition. Future changes to U.S. federal, state and local laws also may require modifications to a Client's properties, or restrict a Client's ability to renovate its properties. A Client cannot predict the ultimate cost of compliance with the ADA or other legislation. If a Client incurs substantial costs to comply with the ADA and any other similar legislation, a Client's financial condition, results of operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be materially adversely affected.

Regulation. Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. The establishment of such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby. Increased costs resulting from increases in real estate, income or transfer taxes or other

governmental requirements generally may not be passed through directly to residents, tenants or lessees, inhibiting the ability of a Client to recover such costs.

As a result of recent highly-publicized financial scandals and the on-going financial turmoil and related recently enacted government bailout measures, investors, regulators and the general public have expressed concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets and their participants. As a result, the regulatory environment in which a Client and AIA, the General Partners and their affiliates will operate is subject to heightened regulation. With respect to alternative asset management funds, in recent years there has been debate in both the U.S. and non-U.S. governments about new rules or regulations to be applicable to hedge funds, private equity funds or other alternative investment products and the advisers thereto. It is impossible to determine the scope and extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which a Client and AIA, the General Partners and their affiliates operate. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the investment activities of alternative asset management funds, including a Client, AIA and a General Partner. Such investigations may impose additional expenses on a Client, may require the attention of senior management and may result in fines if such Client is deemed to have violated any regulations.

Litigation. In the ordinary course of its business, a Client may be subject to litigation from time to time. In addition, the acquisition, ownership and disposition of properties entail certain litigation risks. Litigation may be commenced with respect to a property acquired by a Client or its subsidiaries in relation to activities that took place prior to such Client's acquisition of such property. Further, at the time of disposition of a property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of a Client's efforts to maximize sale proceeds. Similarly, buyers of Client assets may later sue the Client under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence. The outcome of any such proceedings may materially adversely affect the value of such Client and its properties and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of AIA's or a General Partner's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Third-Party Involvement. A Client may co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring less than 100% of the ownership interests in certain investments. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that: (i) a Client and such co-venturer may reach an impasse on a major decision that requires the approval of both parties; (ii) the co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of a Client; (iii) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the co-venturer or partner may be in a position to take action contrary to a Client's investment objective; (v) the co-venturer or partner may take actions that subject the

property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances a Client may be liable for actions of its co-venturers or partners. In addition, a Client may rely upon the abilities and management expertise of a co-venturer or partner. It may also be more difficult for a Client to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. As a result of these risks, a Client may be unable to fully realize its expected return on any such investment.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an investment, a Client may be required to make representations about such investment. A Client also may be required to indemnify the purchaser of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which AIA or a General Partner may establish reserves or escrow accounts. These reserves or accounts (if any) may be insufficient to cover the liability. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution in violation of such act will, under certain circumstances, be obligated to recontribute such distribution to the Private Investment Fund. In addition, a General Partner may require limited partners to return distributions made to them for the purpose of meeting their pro rata share of certain Private Investment Fund obligations (including any indemnification obligations) or liabilities, including those arising from the operation, sale or disposition of any investment, subject to certain limitations.

Market Conditions. A Client's strategy in some investments may be based, in part, upon the premise that real estate businesses and assets will be available for purchase by a Client at prices that AIA or a General Partner considers favorable. Further, a Client's strategy for an investment may rely, in part, upon the continuation of existing market conditions (including, for example, supply and demand characteristics), or, in some circumstances, a local market recovery or improvement in market conditions over the projected holding period for the investments. No assurance can be given that real estate businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will either remain stable or, as applicable, recover or improve, since this will depend, in part, upon events and factors outside the control of AIA or a General Partner.

Financial Market Fluctuations. General fluctuations in the market prices of securities may affect the value of the investments held by a Client. Instability in the securities markets may also increase the risks inherent in a Client's investments. The ability of companies or businesses in which a Client may invest to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Financial Conditions of Tenants. Adverse changes in the operation of any property, or the financial condition of any tenant, could have an adverse effect on a Client's ability to collect rent payments and, accordingly, on its ability to make distributions to its investors. At any time, a tenant may seek the protection of applicable bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease or other adverse consequences and thereby cause a reduction in distributions to a Client, including a Private Investment Fund's investors. No assurance can be given that tenants will not file for bankruptcy protection in the future or, if they do, that their leases will continue in effect.

Risks Related to Investment Terms

In addition to the real estate-related risks described above, Client investments pose certain other risks. For example, a Client may participate in a limited number of investments and, as a consequence, the aggregate return of the Client's investments may be substantially affected by the unfavorable performance of even a single investment. In addition, the success of a Client's investments depends upon the skill of AIA and/or a General Partner in selecting, managing and disposing of such investments on behalf of the Client. AIA and/or the General Partner may be unable to identify suitable investments, and each Client potentially has to compete with other investment products for investment opportunities. Finally, with respect to the Private Investment Funds, investors generally cannot withdraw from a Private Investment Fund and have limited rights to transfer their interests.

Conflicts of Interest

Prospective Clients should be aware that there may be occasions when AIA and its affiliates will encounter potential conflicts of interest in connection with the activities of Clients and/or other Alliance businesses. AIA's principals and investment professionals will work on other projects and matters, including other managed accounts and investment vehicles that may have investment objectives similar to a Client's, and AIA's principals may also work on non-advisory projects, all of which may potentially compete with a Client's investments.

AIA and its affiliates will be presented with opportunities that may be suitable for one or more Clients of AIA's advisory business and/or Alliance's non-advisory services, which include operating joint ventures with third parties ("JV Vehicles"). In such JV Vehicles, the AIA affiliate is typically the day-to-day operator of the underlying investment held by such vehicle, but the third party retains investment discretion, including authority over any purchase or disposition decisions, for such vehicle. In determining which Client or JV Vehicle should participate in such opportunities, AIA and its affiliates are potentially subject to conflicts of interest. AIA attempts to resolve such conflicts of interest in light of its obligations to its Clients and the obligations owed by AIA and/or its affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among Clients and JV Vehicles in a fair and equitable manner and consistent with the governing documents of the applicable Client, which could include rotational allocations. Client governing documents may restrict, limit or prohibit, in whole or in part, investments by a Client and/or certain other vehicles in the same issuers and/or may give priority with respect to certain investments to a Client or such other vehicles. AIA or its applicable affiliate may also consult with the applicable Client or, if such Client has an advisory committee or similar body empowered to consent to conflicts, such committee or body regarding the resolution of potential conflicts of interest.

While AIA's principals and its investment staff will continue to manage and monitor Client investments until their realization, AIA's principals are also expected to manage and monitor non-advisory projects, as described above. Accordingly, conflicts may arise in the allocation of management time, services, functions and resources. AIA, the General Partners and their principals will only devote so much of their time to the business of each Client as AIA and/or the General Partner, as applicable, reasonably determine is necessary for the proper management of such Client's investments.

In addition, a Client may from time to time engage in certain transactions with AIA and its affiliates. As discussed under “Fees and Compensation,” affiliates of AIA may provide non-advisory services, such as development, re-development, construction and property management services, and may provide other services to a Client that would otherwise be performed for such Client by third parties. Such transactions are generally made on terms (including the consideration to be paid) that are determined by AIA or a General Partner, as applicable, to be fair and reasonable to such Client (and require the consent required by the applicable Managed Account Agreement or Partnership Agreement). The use of affiliates in connection with the retention of these services raises potential conflicts of interest in that there may be an incentive for AIA or a General Partner to favor affiliates over third party service providers and/or agree to pay fees that are higher than fees charged for comparable services, and such affiliates may have an incentive to seek, refer or recommend such investments to the Client, or pay a price for such investments, or agree on other terms that are not as favorable as might be obtained from an unaffiliated third party acting on a completely arm’s length basis, as a result of such affiliates’ financial interests in such investments. Clients will not receive the benefit of fees or other compensation received by AIA, a General Partner or their affiliates in connection with the provision of services by them to a Client or third parties.

AIA and its affiliates have existing and potential relationships with a significant number of corporations, institutions and individuals in matters related to their other businesses and investments. As a result of these relationships, AIA may face conflicts of interest in connection with any transactions involving an investment by a Client with such persons, including with respect to the consideration offered by, and the obligations of, such persons.

In addition, anytime a Client is composed of more than one investor, such Client’s investors may include persons or entities organized in various jurisdictions that may have conflicting investment, tax and other interests with respect to their investments. In selecting and structuring investments appropriate for a Client, a General Partner will consider the investment and tax objectives of such Client as a whole, not the investment, tax or other objectives of any individual investor.

In addition, any performance-based fee may create an incentive for AIA or a General Partner to make riskier or more speculative investments on behalf of a Client than would otherwise be the case.

DISCIPLINARY INFORMATION

AIA and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

AIA is affiliated with Alliance Residential Fund GP I, LLC (the “Fund I General Partner”), a Delaware limited liability company that serves as the general partner of Fund I. Fund I General Partner is registered with the SEC under the Advisers Act pursuant to AIA’s registration in accordance with SEC guidance. This affiliated investment adviser and AIA

operate as a single advisory business and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

AIA has adopted a Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of AIA’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain AIA personnel to report their personal securities transactions and to obtain approval from AIA’s Chief Compliance Officer prior to acquiring, directly or indirectly, beneficial ownership of securities in an initial public offering or in a limited offering. A copy of the Code will be provided to any Client (or investor in a Private Investment Fund) upon request to Matt Smith, AIA’s Chief Compliance Officer, at 602-778-2800. Personal securities transactions by employees who manage Client accounts are required to be conducted in a manner that gives priority to the Client’s interests in Client eligible investments.

AIA and its affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, AIA and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a Client of AIA.

Accordingly, should AIA or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, AIA would be prohibited from communicating such information to Clients, and AIA will have no responsibility or liability for failing to disclose such information to Clients as a result of following their policies and procedures designed to comply with applicable law.

Principals and employees of AIA and its affiliates may directly or indirectly own an interest in a Client, including one or more of the Private Investment Funds. AIA and its affiliates, principals and employees may carry on investment activities for other investment vehicles, their own account and for family members, friends or others who are not Clients or investors in a Private Investment Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, a Client, even though their investment objectives may be the same or similar. As noted above, allocations of investment opportunities are made in accordance with Managed Account Agreements, Partnership Agreements, the operative documents of any other applicable vehicles and AIA’s investment allocation policy.

Subject to any applicable limitations in the relevant Managed Account Agreements or Partnership Agreements, AIA or a General Partner may offer co-investment opportunities to a Client, including a Private Investment Fund’s investors. Such transactions will be on terms that are determined by AIA or a General Partner, as applicable, to be fair and reasonable to the applicable Clients. In general, whenever any Client and AIA, a General Partner and/or any of

their affiliates co-invest in an investment opportunity, the economic terms and conditions on which such co-investment is made will be required to be substantially the same.

BROKERAGE PRACTICES

AIA focuses on private real estate investments and generally purchases and sells such investments on behalf of Clients through privately-negotiated transactions in which the services of a broker-dealer may be retained. While AIA may also distribute securities to Clients, including investors in a Private Investment Fund, or sell such securities, including through using a broker-dealer, if a public trading market exists, AIA does not generally engage in public securities transactions. To the extent it does so, it will follow the brokerage practices described below and adopt any additional policies and procedures it deems necessary in order to comply with applicable rules and regulations.

For example, if AIA sells publicly traded securities for a Client, AIA will be responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by AIA and will select brokers on the basis of best price and execution capability. In selecting a broker to execute Client transactions, AIA would expect to consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

REVIEW OF ACCOUNTS

The investments made by Clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, AIA closely monitors each Client's investments, and AIA's investment committee periodically checks to confirm that each Managed Account and Private Investment Fund is maintained in accordance with its stated objectives and any investment limitations.

AIA generally provides Clients and, in the case of the Private Investment Funds, limited partners with (i) annual audited and quarterly unaudited financial statements and (ii) various other periodic reports as required by the applicable Managed Account Agreement or Partnership Agreement.

CLIENT REFERRALS AND OTHER COMPENSATION

AIA and/or its affiliates do not receive any additional compensation from any third parties for the investment advisory services provided to a Client. AIA does not currently compensate any third parties for Client referrals, including any referrals that result in a potential investor investing in a Private Investment Fund.

CUSTODY

If AIA has custody of a Client's fund or securities, AIA maintains custody of such funds and securities in the Client's name with Charter One Bank, a qualified custodian. AIA is generally deemed to have custody of each Private Investment Fund's funds and securities.

Managed Account Clients may engage custodians directly to maintain custody of their funds and securities, in which case AIA would not generally have custody of such Clients' funds or securities.

INVESTMENT DISCRETION

AIA has discretionary authority to manage investments on behalf of Clients. With respect to Managed Accounts, any limitations on AIA's investment authority are set forth in the applicable Managed Account Agreement. With respect to Private Investment Funds, as a general policy, AIA does not allow investors in such funds to place limitations on this authority. Pursuant to the terms of the applicable Partnership Agreement, however, AIA may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Private Investment Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. AIA assumes this discretionary authority pursuant to the terms of the applicable Managed Account Agreement, Partnership Agreement and/or Investment Management Agreement, as well as any powers of attorney executed by a Client or limited partners of a Private Investment Fund.

VOTING CLIENT SECURITIES

Although the Clients generally do not invest in securities that require voting, AIA has adopted the Proxy Voting Policies and Procedures (the "Proxy Policy") to address how it will vote proxies, as applicable, for the Clients' portfolio investments. AIA generally has proxy voting authority for the Private Investment Funds and may accept such authority on behalf of a Managed Account Client if the Client so desires. The Proxy Policy seeks to ensure that AIA votes proxies (or similar instruments) in the best interest of the applicable Client, including where there may be material conflicts of interest in voting proxies. With respect to the Private Investment Funds, AIA generally believes its interests, as well as the interests of its affiliates, are aligned with those of the Private Investment Funds' investors through the beneficial ownership interests in the Private Investment Fund by AIA, a General Partner and/or their affiliates, including the principals, and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that AIA may address the conflict using several alternatives set forth in the Proxy Policy. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by AIA when voting proxies on behalf of a Client. Clients, including Private Investment Fund limited partners, that would like a copy of AIA's complete Proxy Policy or information regarding how AIA voted proxies should contact Matt Smith, AIA's Chief Compliance Officer, at 602-778-2800 or msmith@allresco.com, and such information will be provided at no charge.

FINANCIAL INFORMATION

AIA does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.