

Part 2A of Form ADV: *Brochure*

Alcion Ventures, Limited Partnership

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This brochure provides information about the qualifications and business practices of Alcion Ventures, Limited Partnership. If you have any questions about the contents of this brochure, please contact us at (617) 603-1000 and/or gdelfavero@alcionventures.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Alcion Ventures, Limited Partnership also is available on the SEC's website at www.adviserinfo.sec.gov. Alcion Ventures, Limited Partnership is an SEC registered investment adviser. Please note that registration does not imply a certain level of skill or training.

Item 2. Material Changes

Item 2 is not applicable.

Item 3. Table of Contents

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Item 4. Advisory Business

General Description and Principal Owners. Alcion Ventures, Limited Partnership (“Alcion” or the “Firm”) is a privately held real estate investment management firm formed in December 2004. Alcion provides investment advisory services primarily to pooled investment vehicles (the “Funds”) that are excluded from the definition of “investment company” under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Alcion also provides advisory services to one institutional client. The current portfolio overseen by Alcion is composed of office, residential, retail, industrial, land, seniors housing, hotel, and debt investments throughout the United States and parts of Canada.

Alcion is a Massachusetts limited partnership. The principal owners of Alcion are Martin Zieff, Mark Potter, David Ferrero and Eugene DelFavero (the “Principals”). The Principals own in excess of 90% of the Alcion equity interests, with the remaining ownership held by two strategic partners. Alcion is managed and directed by the Principals.

Advisory services offered. Alcion’s primary business is providing investment advisory services to the Funds. Each Fund is a traditional closed-end pooled investment fund with unspecified real estate investments to be selected by the Fund’s general partner with the assistance of Alcion. The Funds invest in and own real estate through their ownership of equity interests in limited partnerships, limited liability companies and other vehicles. Each Fund is available for investment only via a “private offering,” and is intended only for investment by “accredited investors,” as those terms are defined under the Securities Act. Alcion provides advice relating to the identification, acquisition, management, monitoring and disposition of investments and investment opportunities for the Funds. In addition, Alcion provides investment management advice on a non-discretionary basis to one institutional client. These services include strategic advice and oversight relating to specific real estate assets owned by the client through its ownership of equity interests in limited partnerships, limited liability companies and other vehicles.

Tailoring to individual needs and investment restrictions. Though Alcion utilizes a similar investment strategy for all of the Funds depending on the market conditions, it tailors advisory services to the specific needs of the Funds to address particular legal or tax concerns. For example, if a Fund’s investors are non-US persons, that Fund may require advice regarding investment structures to address specific US tax issues. The Funds contain specific investment limitations and parameters for investment that are set forth in their respective offering documents.

Assets under management. As of December 31, 2011, Alcion’s assets under management were:

Discretionary:	\$852,108,309 ¹
Non-Discretionary:	\$0
Total:	<u>\$852,108,309</u>

¹ Alcion does not have final investment discretion over the assets of a Fund. The ultimate discretion is retained by the applicable general partner of each Fund, which general partner is always an Alcion affiliate.

Item 5. Fees and Compensation

How Alcion is compensated for advisory services. The specific terms for the compensation of Alcion by each Fund are dictated by the Fund's charter documents, offering documents and management agreements. Each Fund generally pays an annual management fee (the "Management Fee"). A Fund's Management Fee will commence either on the date that the Fund acquires its first real estate investment or on the date a Fund holds its initial closing for investors, depending on the terms of the specific Fund. The Management Fee is based on a percentage of assets invested in or committed to a Fund by its investors depending on the stage of investment of the Fund. For example, during a Fund's investment period, the Management Fee is based on the aggregate amount of the Fund's commitments from its investors and after the investment period has ended, the Management Fee generally is based on the amount invested. The Management Fee percentage for Alcion's services to the Funds range from 1% to 1.5% and is set forth in each Fund's offering documents. Alcion's annual compensation for services to its institutional client is generally equal to 1% of the capital invested by the client in the assets, as more fully set forth in the management agreement. The Management Fees payable by the Funds are non-negotiable and the fee for the institutional client may be negotiated.

The general partner of each Fund, which is always an affiliate of Alcion, is also entitled to receive incentive distributions of the investment proceeds from the Funds, subject to certain conditions, such as the prior return of capital to Fund investors and prior payment to Fund investors of a certain rate of return on invested capital. Proceeds available for distribution will consist principally of cash generated from continuing operations of the assets owned by a Fund and the cash proceeds realized on the sale or refinancing of Fund assets. These incentive distributions are referred to as the "Carried Interest." A Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended and is non-negotiable.

Deduction of fees from invested assets/billing. Alcion's compensation is deducted from the assets of each Fund. Management Fees are paid quarterly in advance at the beginning of each calendar quarter. Carried Interest is paid when earned upon the distribution of the applicable assets. For its institutional client, Alcion bills the client for the fee incurred, which is payable on the first day of each calendar quarter.

Other types of fees or expenses. Each Fund pays all offering and organizational expenses incurred in the formation of the Fund and related entities up to a certain maximum limit set forth in the Fund's offering documents. Each Fund generally pays all expenses related to its activities, including all costs related to the purchase, financing, sale (whether or not consummated), construction, repair and maintenance of investments; legal, auditing, tax, leasing fees, carrying, financing, development, construction, and accounting fees; insurance; litigation expenses; third-party consultants; and any other operating expenses of the Fund. In pursuit of its investment objective, a Fund may incur and pay fees or expenses to independent third-parties, such as real estate brokers and agents, engineers, construction contractors, property managers, accountants, custodians, attorneys, and expenses of subpartnerships and other entities through which a Fund holds interests in real estate. An Alcion affiliate, DelFavero & Associates, LLC, provides the

Funds with various accounting and tax services and receives fees for such services from the Fund and from the Fund's investments. Such fees are subject to annual limits as set forth in the Fund's offering documents (see Item 10 "Accountant or Accounting Firm" below).

Payment of fees in advance. In the event that an investment advisory agreement with Alcion terminates during a quarter where the advisory fees are paid in advance, Alcion would pro rate such fee and reimburse the portion of such fee covering the remainder of the quarter (i.e. from the date of termination to the end of the quarter).

Item 6. Performance-Based Fees and Side-By-Side Management

As described in Item 5 above, Alcion's affiliates who serve as general partners to the Funds receive incentive compensation in the form of Carried Interest, which is tied explicitly to the performance of a Fund's portfolio as a whole, rather than that of individual transactions. The existence of Carried Interest may create an incentive for Alcion to cause a Fund to make riskier or more speculative investments than would be the case in the absence of Carried Interest. The existence of Carried Interest also may incentivize Alcion to hold investments for periods of time than otherwise may be appropriate in order to increase amounts distributable to the general partner of the Fund in respect of Carried Interest. Alcion's compliance policies and procedures and code of ethics prohibit supervised persons from favoring one account over another or considering the Firm's financial interest when providing investment advice to Clients.

Item 7. Types of Clients.

Alcion provides investment advice primarily to the Funds, which are privately offered pooled investment vehicles. Investors in the Funds include pension plans, endowments, foundations, trusts, family offices, funds of funds, and private individuals from the United States, Canada and Europe. Alcion also provides advisory services to one institutional client.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies. Alcion's opportunistic strategy for private equity investing in real estate represents a higher risk and higher return profile than is found in traditional core strategies which typically target stable, income-producing properties. Such an opportunistic strategy involves properties which require active management as well as a high degree of enhancement, repositioning and/or development. It could involve investments in properties with operational problems or management deficiencies, properties requiring substantial leasing, properties requiring a conversion or an addition or other physical improvements and properties which suffer from capital constraints as well as investments in land and niche property sectors. While a fund pursuing an opportunistic strategy will generate some current returns from improving a property's income, given the long time horizons typically necessary to stabilize or reposition a property, the majority of such a fund's returns will come from capital appreciation. There can be no assurance that this strategy will achieve a particular return, and as described below in "Investment Risks," clients should be prepared to bear associated risks.

As more fully described in each Fund's offering documents, each Fund's opportunistic investment strategy is generally to take advantage of market cycles, inherent market inefficiencies and distressed opportunities to either (i) acquire real estate assets at an attractive basis where a discernable business plan can be executed to create value; or (ii) develop or redevelop such assets where there is a specific niche or market opportunity. In following this strategy, the Funds seek to generate attractive risk-adjusted returns by focusing on value-creation opportunities in certain product segments and select markets where the principals have long-standing experience and which have favorable demand characteristics, supply constraints and appropriately priced risk. The Funds focus on well-located and durable institutional quality assets within these select markets to provide an opportunity for sustained value creation.

To implement this strategy, Alcion utilizes a variety of the following tactical elements:

- Proactively create opportunities rather than participating in widely marketed transactions
- "First mover" and/or contrarian investments
- Utilize highly experienced local operating partners and maintain significant on-going interaction and controls with them
- Attempt to exit investments and/or markets before cycle turns or capital markets overheat
- Invest in well-located and durable assets in "evergreen" locations with high-margins to insulate capital against market downturns
- Pre-lease and pre-sell development assets
- Structure Fund investments, when appropriate, to be in a promoted position and to reduce capital exposure
- Utilize appropriate, situational-specific levels of financial leverage
- Maintain adequate reserves to protect against unforeseen events
- Cease new investment activity during overheated markets
- Place a contractual cap on fund size to maintain boutique/middle-market scale
- Experienced principals remain involved in all aspects of investment management reflecting Alcion's approach

Investment Risks. As with any type of investment, real estate investments involve risk of loss. Each Fund's offering documents include more detailed disclosure of the risks of real estate investing. Amongst the risks described in further detail in each Fund's private offering documents, each Fund's investments entail the following risks:

- ***No Assurance of Investment Return.*** Each Fund's task of identifying and evaluating investment opportunities, managing such investments and realizing a

positive return for investors is difficult. There is no assurance that a Fund will be able to invest its capital on attractive terms or continue to generate positive returns or avoid losses over the long term.

- ***Real Estate Generally.*** Investments in real estate entail a variety of risks, any of which could cause a loss. Real estate values and the success of any real estate investment are affected by a number of factors, including: (i) changes in the general national or international economic climate, local conditions (such as oversupply of space or reduction in the demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, population trends, neighborhood values, community conditions, public perceptions, local employment conditions, interest rates and real estate tax rates; (ii) changes in fiscal policies; (iii) changes in applicable laws and regulations (including tax laws); and (iv) uninsured losses and other risks that are beyond the control of Alcion. If a Fund undertakes development or significant redevelopment of a property or properties there are the additional risks which include (i) the inability to obtain, or delays in obtaining, all necessary required governmental permits, authorizations and approvals; (ii) construction costs exceeding original estimates, possibly making the property uneconomical; (iii) occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable; (iv) financing may not be available on favorable terms for development of a property; and (v) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs.
- ***Due Diligence Processes.*** The due diligence analysis that Alcion performs with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity, including, among other things, the existence of fraud or other illegal or improper behavior. Moreover, such an analysis may not necessarily result in the investment being successful.
- ***Concentration of Investments.*** A relatively high percentage of a Fund's total capital may be invested in a limited number of portfolio investments to which any single loss may have a significant adverse impact on such Fund's capital. In addition, no Fund is required to diversify its investments among industries or regions.
- ***Interest-rate Risk.*** Fluctuations in interest rates may cause investment prices to fluctuate and a Fund may no longer be able to meet the debt service obligations from a property.
- ***Liquidity Risk.*** The Funds invest in illiquid investments. Liquidity is the ability to readily convert an investment into cash at or close to its current market value. Generally, assets are more liquid if many traders are interested in a standardized product. Real estate related investments of the type acquired by the Funds are not

liquid. If a Fund was required to divest itself of an illiquid investment, the Fund might not be able to do so quickly or at an advantageous price.

- ***Financing Risk.*** The Funds borrow. Borrowing increases risk, as a Fund would be required to meet its periodic payments and would generally retain a principal repayment obligation even if the financed investment lost value. Consequently, financing may have leveraging effects that could exacerbate losses. A Fund may guarantee a loan on one real estate investment that exposes all of the Fund's assets to loss.
- ***Hedging.*** In connection with the financing of certain assets, a Fund may employ hedging techniques designed to protect against adverse movements in interest rates and foreign currency. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Fund may benefit from the use of hedging mechanisms, unanticipated changes in interest rates or securities prices may result in poorer overall performance for a Fund than if it had not entered into such hedging transactions.
- ***Conflicts of Interest.*** Fund investments are subject to various conflicts of interest as more fully discussed in Item 10 "Other pooled investment vehicles" and in each Fund's offering documents.

Item 9. Disciplinary Information

In October 2011, Alcion voluntarily agreed to settle a civil administrative enforcement matter with the City of Los Angeles relating to alleged violations of the Los Angeles City Charter and City Administrative Code concerning certain campaign contributions to certain local politicians in the City of Los Angeles between 2008 and 2009. Although Alcion believed that it did not violate the City Charter or Code, Alcion voluntarily reported the matter. The firm then made a determination that the cost to continue to defend the assertions outweighed the benefits of a favorable decision, and on that basis, agreed to the terms of the settlement. The settlement involved a negotiated payment of \$67,000, which was paid by Alcion (and not by any of Alcion's clients). The settlement, which was unanimously approved by the Los Angeles City Ethics Commission, took into consideration that Alcion fully cooperated and stated that no evidence was found that Alcion intentionally concealed, deceived or misled. Alcion does not believe that this event is material to its business but has disclosed the event to provide full and transparent reporting.

Item 10. Other Financial Industry Activities and Affiliations

Material Relationships with Related Persons. Alcion has relationships and arrangements that are material to Alcion's advisory business with the following types of related persons:

Other pooled investment vehicles. Alcion manages several Funds.

- The management team of Alcion will continue to devote time to the management of all of the existing Funds and its institutional client. This may create conflicts in the allocation of management resources. Alcion maintains a sufficient staff to ensure that the Funds are not disadvantaged.
- Alcion addresses conflicts in allocating investment opportunities among Funds in accordance with each Fund's offering documents. Funds whose commitments have been raised at the same time and under the same offering process and offering documents but were formed to address specific investor requirements as described in Item 4 "Tailoring to individual needs and investment restrictions" (these Funds for purposes of this Item 10 are referred to as a "Parallel Fund Group"), must invest in all opportunities, on the same terms, and at the same time, with such opportunities being allocated among those Funds in the Parallel Fund Group pro rata based on the relative amount of investor commitments each Fund has raised. Once a Parallel Fund Group has been formed and completed its fundraising activities, a new pooled investment Fund that has an investment strategy substantially similar to an existing Parallel Fund Group may be formed only when either (i) the existing Parallel Fund Group's investment period has ended so that no new investments may be made or (ii) at least 75% of the existing Parallel Fund Group's commitments have been invested or are committed to be invested, reserved for follow-on investment, expended or reserved for expenses and liabilities. This restriction on forming new Funds that may invest in assets that are similar to existing Parallel Fund Groups helps to allocate investment opportunities to an appropriate Fund that will have the capital resources available to make the investment. Where potential for investment overlap exists (for example, where an existing Parallel Fund Group has reached the 75% threshold and thus a new Fund is formed), investment opportunities, in general, will be allocated between the existing Parallel Fund Group and the new Fund first to the existing Parallel Fund Group until its investment capacity has been exhausted (i.e. the commitments of the Parallel Fund Group are either fully invested, reserved or expended) and then the opportunity will be presented to the new Fund. An exception to this general ordering rule may occur when an existing Parallel Fund Group has some investment capacity available but perhaps not enough to invest in the entire opportunity. In those situations, the existing Parallel Fund Group and the new Fund may invest in the opportunity together but only if the existing Parallel Fund Group's and the new Fund's respective investor advisory boards approve the investment and the investment is made at the same time and on the same terms. This investment allocation methodology may mean that new Funds will be able to invest generally only after an existing Parallel Fund Group has fully invested, expended or committed its available investment capital and this may disadvantage a new Fund. Additionally, each Fund's investors who have made a certain minimum level of commitment to the Fund, have the right to be offered the opportunity to co-invest alongside a Fund in accordance with the offering documents of the Fund where the general partner determines that an investment is too large to make by itself, but determines the investment to be otherwise attractive. The offering documents of the Fund specify the procedure

by which certain Fund investors are entitled to participate in the co-investment. The terms of the co-investment are on substantially the same terms as the Fund's investment with such deviations as permitted in the Fund offering documents. The Fund's general partner will allocate the investment opportunity among the qualifying Fund investors in a manner so as not unfairly to benefit any qualifying investor.

Accountant or Accounting Firm.

- DelFavero & Associates, LLC, certified public accountants, may provide tax, financial reporting, audit support, cash management and other accounting related services to certain Funds and to certain underlying investments of certain Funds. Eugene DelFavero is a principal in DelFavero & Associates, LLC and also is an owner and principal in Alcion and a partner of the Funds' general partners. DelFavero & Associates, LLC receives fees for the financial and accounting services it provides to certain of the Funds and Fund investments, which fees are borne by each such entity. Pursuant to the Fund offering documents for the applicable Fund to which these services are provided, without the consent of the applicable Fund's investor advisory board, the fees payable to DelFavero & Associates, LLC by (i) the applicable Funds will not exceed fees charged by independent third parties on an arms-length basis providing comparable services and on an annual basis will not exceed \$400,000 in the aggregate and (ii) any applicable Fund investment will not exceed fees charged by independent third parties on an arms-length basis providing comparable services. The amount of fees payable to DelFavero and Associates, LLC are disclosed in the applicable Fund's annual financial statements.

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

Code of Ethics. Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"), Alcion has established and enforces a written code of ethics ("Code") that describes standards of business conduct, including applicable fiduciary obligations, that must be observed by Alcion and its "supervised persons" (as defined in the Advisers Act) in connection with Alcion's investment advisory business. These standards include requirements for supervised persons:

- To act at all times with the utmost integrity and honesty, dealing fairly with clients, Alcion, its associates and service providers;
- To place the interests of clients ahead of those of Alcion;
- To render professional and unbiased investment advice to clients;
- To provide full, fair, and timely information to clients;

- To avoid conflicts of interest with clients when supervised persons conduct personal securities transactions;
- To exercise diligence and care in maintaining and protecting clients' non-public, personal or confidential information; and
- To comply at all times with federal securities laws.

Alcion's Code is based upon the premise that all Alcion personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code requires that all personnel read and agree to adhere to the Code, and that any violation of the Code is subject to sanctions by Alcion, including termination. A copy of the Code is available upon request to clients and prospective clients.

In furtherance of the Code, Alcion personnel are prohibited from all of the following:

- (i) using material non-public information to trade, communicate or recommend securities;
- (ii) engaging in any personal securities transactions in an initial public offering without the prior written approval of the Chief Compliance Officer;
- (iii) participating in a limited offering without the prior written approval of the Chief Compliance Officer;
- (iv) trading in any securities on a list for which trading is prohibited, if any.

No communications are permitted concerning the securities transactions for clients except to necessary third parties without the prior written consent of the Chief Compliance Officer. All information concerning clients, their accounts and their activities are to be maintained in strict confidence.

The Chief Compliance Officer is required to report all violations to the senior management of Alcion.

All supervised persons are prohibited from trading on the basis of material non-public information. In addition, the Code prohibits "Access Persons" (as defined in Rule 204-A-1 under the Advisers Act), from trading, in their personal accounts or in other accounts in which they have a beneficial interest, in "reportable securities" (as defined in Rule 204A-1 under the Advisers Act and the Code) ahead of a client's trade in the same security. Access Persons must also obtain prior approval from Alcion's Chief Compliance Officer before purchasing any security that is part of an initial public offering or part of a private placement or other limited offering.

In order to avoid conflicts of interest, the Code requires Access Persons to provide, and Alcion to review, both initial and annual reports of all reportable securities beneficially owned by such Access Person. Quarterly reports of all transactions in reportable securities are also required to be sent by Access Persons under the Code and are also required to be reviewed by Alcion.

Item 12. Brokerage Practices

Item 12 is not applicable.

Item 13. Review of Accounts

Monitoring of accounts. Alcion's investment professionals are responsible for reviewing and monitoring each Fund's investments on a continuous basis. The investment professionals include Alcion's executive officers, Principals, and specialists in investment analysis, research, asset management, capital markets and disposition. Such professionals are responsible for identifying, evaluating, structuring and negotiating investments, overseeing the ongoing management of the investments by property managers and for management or oversight of financings, recapitalizations and dispositions. The professionals continually monitor the investments of each Fund.

Review triggers. Alcion continually monitors each Fund's performance and investments.

Reports to Clients. Each Fund's investor advisory board receives reports on certain issues as they arise, including, but not limited to, conflicts of interest and valuations. Each Fund holds an annual meeting for investors to review the status of the Fund. Funds also receive the following reports: (i) annual audited financial statements of the Fund, (ii) annual estimates of the valuations of the assets in the Fund, (iii) quarterly unaudited financial statements of each Fund for the first three quarters (with the year end financial statements being audited), (iv) quarterly reports containing an operational summary of the assets in each Fund for the last three quarters. The above reports are regularly distributed to investors in each respective Fund. With respect to the institutional client, reports are provided based on the client's reporting requirements.

Item 14. Client Referrals and Other Compensation

From time to time, Alcion receives literature and is invited to and may attend seminars, in each case without charge, from its service vendors. Alcion, however, does not solicit from any vendor such literature or seminar invitations.

Item 15. Custody

On an annual basis, each Fund's year-end financial statements are subject to audit by an independent accountant registered with the Public Company Accounting Oversight Board. Each Fund distributes its audited financial statements, prepared in accordance with generally accepted accounting principles, to all Fund investors within 90 days of the end of its fiscal year, and upon liquidation distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all Fund investors promptly after the completion of such audit. Custody of client securities and funds are held with a qualified custodian.

Item 16. Investment Discretion

Under each Fund's management agreement and offering document, Alcion provides investment advisory services to each Fund, subject to the direction and control of the general partner of each Fund, who is always an Alcion affiliate.

Item 17. Voting Client Securities

Item 17 is not applicable.

Item 18. Financial Information

Item 18 is not applicable.

Item 19. Requirement for State-Registered Advisers

Item 19 is not applicable.