

Dune Real Estate Partners LP

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

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

Item 2 Material Changes

This brochure dated March 28, 2013 has been prepared by Dune Real Estate Partners LP (“Dune”) as an amendment to the prior version of its brochure, dated July 2, 2012.

As disclosed in the prior version of Dune’s brochure, Mr. Daniel M. Neidich is an indirect principal owner of Dune through two entities principally owned and controlled by him, Dune Real Estate Manager LLC and JSM Investments LLC. In addition since its last brochure, as of January 1, 2013, a non-controlling interest in Dune is also now owned by Ms. Cia Buckley through TLS Investments LLC, an entity owned and controlled by Ms. Buckley. Additionally, since its last brochure, Dune has launched a new private fund client, Dune Real Estate Fund III LP.

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

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Item 4 Advisory Business

- A. **Description of advisory firm and principal owners.** Dune Real Estate Partners LP, a Delaware limited partnership, also referred to in this brochure as “Dune”, is a New York City based real estate investment advisory firm, which commenced operations on January 1, 2010 and manages the Dune Real Estate Funds. Dune evolved from Dune Capital Management LP, which was co-founded by Mr. Daniel M. Neidich in 2004 and which previously managed the Dune Real Estate Funds. The indirect principal owner of Dune is Mr. Neidich through two entities principally owned and controlled by him, Dune Real Estate Manager LLC and JSM Investments LLC. In addition, as of January 1, 2013, a non-controlling interest in Dune is also owned by Ms. Cia Buckley through TLS Investments LLC, an entity owned and controlled by Ms. Buckley. The senior investment professionals of Dune include Mr. Neidich, Ms. Buckley, Mr. David Oliner, Mr. Gregory Rush, Mr. Russell Gimelstob and Mr. Jonah Sonnenborn.
- B. **Advisory services offered.** Dune provides discretionary investment advisory services to various private partnerships and other private investment vehicles (each, a “Fund” or a “Client” and, collectively, the “Funds” or “Clients”) each of which focuses on real estate and real estate-related investments.¹ Interests in the Funds are generally offered to qualified investors through private offerings. Dune is affiliated with entities that serve as the general partners to each of the Funds (each, a “General Partner” and, collectively, the “General Partners”) and each of the Funds is controlled by its respective General Partner. The following is a list of each of the General Partners each of which is an affiliated investment adviser of Dune:

General Partners:

- Dune Real Estate Partners LLC, a Delaware limited liability company
- Dune Real Estate Partners II LLC, a Delaware limited liability company
- Dune Real Estate Partners III LLC, a Delaware limited liability company
- DREP II CIV I LLC, a Delaware limited liability company

The advisory services of Dune and each of the General Partners, as affiliated investment advisers, are described in this brochure. Each General Partner is deemed registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to Dune’s registration in accordance with SEC guidance and the information set forth herein regarding the investment advisory services provided by Dune shall also apply in respect of the General Partners.

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

The investment strategy of the Funds to which Dune provides investment advice is generally to make opportunistic investments in real estate with a focus on distressed, deep value-add and contrarian investing, primarily in the United States. Dune generally seeks to acquire real estate or real estate-related assets for the Funds across multiple sectors including multifamily, retail, office, industrial and hotel sectors, among others. Investments may take many different forms and structures, including, but not limited to, single real estate assets, portfolios, joint ventures and operating companies, as well as real estate-related loans and debt securities.

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

Investment advice is provided directly to each Fund itself and not to the individual investors in the Funds. Although Dune does not provide tailored investment advice to the individual investors in the Funds, the General Partners and/or the Funds may enter into side letter agreements with certain investors which may modify such investors' rights or obligations under the operating agreements for a particular Fund as per the terms of each Fund's governing documents.

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

- D. **Wrap fee programs.** Dune does not participate in wrap fee programs.
- E. **Assets under management.** As of December 31, 2012, Dune managed approximately \$1,449,396,154 of Client assets on a discretionary basis. Such amount is preliminary and unaudited.

Item 5 Fees and Compensation

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

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

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

- B. Deduction of fees from Client assets.** Dune is generally entitled to receive the management fee quarterly in advance. The management fee is generally deducted from the assets of the appropriate Fund or from an investor's share of distributable proceeds and the investors in such Funds are not separately billed for such services by Dune. Each Fund's General Partner approves the payment of the management fee on a quarterly basis in accordance with the governing documents for each of the Funds.

- C. Other types of fees or expenses.**

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

management, information technology and management, risk management and asset management in exchange for customary management and incentive fees or allocations of income or gain. Manager Entities do not currently provide any such bona fide services to the Funds in exchange for such fees.

To the extent any break-up fees or any other types of transaction fees identified in a Fund's governing documents are earned in connection with a Fund's investment activities, such fees may be paid to Dune or any of its supervised persons and will be a 100% offset, on a net basis, to the management fee otherwise payable to Dune in respect of such Fund.

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

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

The Funds do not have their own employees or offices. Dune is responsible for its own general operating and overhead costs, provided that in certain instances (and subject to the limitations provided in the Funds' governing documents) the costs of internal staff responsible for maintaining the books and records of account, reporting, accounting and legal services in relation to the business of the Funds may be an expense that is borne by the Funds.

Any expenses common to one or more of the Funds or investments by the Funds or to any other accounts managed by Dune generally are allocated among such entities or investments on a basis reasonably believed to be equitable and fair by Dune in accordance with the Funds' governing documents and Dune's policies. The costs and expenses directly relating to a Fund investment are generally allocated between the applicable Funds in proportion to their respective commitments to such investment.

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

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

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

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

In accordance with the Funds' governing documents and the General Partners' operating agreements, the General Partner may, in its sole discretion, defer, waive, reduce or modify an investor's obligation to pay performance-based compensation. Performance-based compensation that may be due to the General Partner based on the Funds' performance may create an incentive for Dune to cause the Funds to make investments that are riskier or more speculative than would be the case if this special allocation were not made. In addition, the method of calculating the performance-based compensation may result in conflicts of interest between the General Partner and the investors in the Fund with respect to the management and disposition of investments and the determination of the timing and amount of distributions by a Fund. However, in an effort to align the interest of the General Partner with the investors in the Funds, the principals of the applicable General Partner and/or an affiliate thereof generally have made a significant contribution to the Funds.

Item 7 Types of Clients

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

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

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

Methods of Analysis and Investment Strategies. As more fully described in each Fund's offering documents, Dune's investment strategy for the Funds' is to generally make opportunistic real estate investments with a focus on distressed, deep value-add and contrarian investing, primarily in the United States. Dune generally targets the acquisition of real estate and real estate-related assets for the Funds across multiple sectors, including, multifamily, retail, office, industrial and hotel sectors, among others such as ground-up development, redevelopment and land acquisition and development and seeks to assemble a portfolio of opportunistic investments, well-balanced by region and sector. Investments by the Funds may take many different forms, including, without limitation, single real estate assets, portfolios, joint ventures and operating companies, as well as real estate-related loans and debt securities. A variety of investment structures may be employed that are generally intended to provide Dune with management rights over the related real estate. Such structures could include direct ownership, joint ventures, equity interests, bridge loans, first or second mortgages, debt securities, participation interests, mezzanine debt, preferred equity, convertible or participating mortgages, options to purchase, and warrants. The Funds generally invest through limited partnerships, real estate investment trusts or limited liability companies that are structured for the purpose of holding the underlying real estate assets.

In executing the investment strategy of the Funds, Dune expects to employ leverage (subject to certain limitations in the Funds' governing documents), including, from time to time, credit facilities secured by the assets of the respective Fund and/or the right of the General Partner to call capital commitments of the Fund's investors. In addition, in pursuing investment opportunities a Fund may partner with unaffiliated third party distressed borrowers and/or local or specialized owners/developers, each generally with differing operational, development and financial capabilities and market knowledge.

Dune focuses on risk management through a multi-step, comprehensive due diligence process in which Dune develops an in-depth analysis of the investment opportunity, including an analysis of property assumptions, economic and market conditions, returns, financial, exit strategies, legal, regulatory and tax considerations and assessment of transaction and partner risks. Dune's investment professionals are responsible for analyzing and underwriting investment opportunities which Dune is interested in pursuing. In evaluating opportunities, Dune may if specialized expertise is appropriate, engage or consult with a network of specialists, including, experts, operators, partners, local property owners, brokers, consultants or other professionals to assist with its due diligence analysis, and risk and asset management processes, including, outside legal and tax advisers. As further described in Item 13 of this brochure, the Investment Committee meets as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments. The Investment Committee generally considers several factors in its evaluation of potential new investments to ensure such investments are consistent with the objectives of the Funds. Primary examples of such factors include, without limitation, financial performance, financing terms, market conditions, potential operating partners, execution risk and transaction timing, and potential exit strategies. For transactions that Dune believes are appropriate and compelling for the Funds, the

transaction team prepares an investment committee memorandum and formally presents the investment to the committee for approval to pursue the transaction.

Investment Risks. There are significant risks inherent in the strategy of investing in real estate not associated with other investments and an investment in the Funds is only suitable for persons of adequate financial means who have no need for liquidity from an investment in the Funds. Given the volatility of global real estate markets, investors in the Funds are subject to the risk of loss of all or substantially all of their investment in a Fund and prospective investors should not subscribe unless they can readily bear the consequences of such loss. There can be no assurance that (i) a Fund's investment objectives will be realized, (ii) a Fund's investment strategy will be successful or (iii) investors in the Funds will not lose all or a portion of their investment in a Fund. Past performance of any of the Funds or an investment by the Funds cannot be construed as any indication of the future results of an investment in a Fund. An investment in any of the Funds involves management-related risks, fund-level risks and investment-level risks. Set forth below as well as in other Items in this brochure is a summary of certain of the investment risks disclosed in greater detail in each of the Funds' offering documents. Please refer to each of the Funds' offering documents for more information on these and other risks and potential conflicts relating to Dune's business and investments in the Funds.

Limitation on Transferability. Interests in the Funds are generally not transferable except with the consent of the General Partner, and there generally is no secondary market for interests in the Funds. Consequently, investors in the Funds may not be able to dispose of their interests and investors may not withdraw capital from the Funds. Interests in the Funds may not be resold, transferred or otherwise disposed of by investors except in compliance with the transfer restrictions contained in the Funds' governing documents and under applicable law.

Inability to Meet Investment Objective. The historical returns achieved by the certain of the Funds and their underlying investments are not a prediction of future performance, and there can be no assurance that comparable returns will be achieved by investments, individually or in the aggregate, by any other Fund. Although Dune has been successful in identifying suitable investments in the past, it may be unable to find a sufficient number of attractive opportunities to meet any particular Fund's investment objectives. There can be no assurance that a Fund will be able to invest fully all of its committed capital or that suitable investment opportunities will be identified that satisfy a Fund's investment objective and investors will continue to be responsible for partnership expenses in connection with such Fund.

Limited Number of Investments; Possible Lack of Diversification. Each Fund may be subject to certain restrictions on the size, location and type of its investments. In addition, Dune may elect to diversify investments by the Funds by investing in a variety of locations, in different transaction sizes and across multiple property types, however investors have no assurance as to the degree of diversification that will actually be implemented by particular Funds, either by geographic region, asset size or asset type, if any is implemented at all, in each case, subject to the terms of each Fund's governing documents. As a result, a Fund may be adversely affected by the unfavorable performance of a small number of such investments and poor performance by a few investments could significantly affect the total returns to a Fund's investors.

Lack of Control by Investors. Investors in a Fund will be subject to the limitations set forth in the Fund's governing documents and generally will have no part in the management and control of the Fund. In addition, investors will generally not have an opportunity to evaluate the investments made by a Fund or the terms of any investment. The Funds will be managed exclusively by the General Partners and Dune.

Investment Structures. Investors in a Fund may have conflicting investment, tax, and other interests with respect to their investments, including conflicts relating to the structuring of investment acquisitions and dispositions. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments and the timing of investments. As a consequence, conflicts may arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another, especially with respect to investor specific tax attributes. The governing documents of the Funds generally provide that when selecting and structuring investments appropriate for a Fund, the General Partner will generally consider the investment and tax objectives of the Fund as a whole, not the investment, tax or other objectives of any investor individually.

Investments in Real Estate. The Funds' investments will be subject to the risks inherent in the ownership and operation of real estate. Special risks associated with real estate investments include, without limitation, changes in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants, buyers and sellers, labor relations matters, changes in operating costs, uninsured losses or delays from casualty or condemnation, bankruptcy related matters, contingent liabilities, force majeure and other factors beyond the control of Dune or the General Partners. Real estate values are also affected by factors such as government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, and the availability of financing and potential liability under environmental and other laws.

Investments in Illiquid Assets. The investments by the Funds are likely to be risky, illiquid and long term. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on the resale, refinancing or other disposition of the investments by the Funds. The Funds may not be able to sell investments when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The real estate in which the Funds invest may involve a long term commitment, a high degree of financial risk and may utilize leveraged capital structures.

Inability to Execute Business Plan. There can be no assurance that the General Partner will be able to execute the business plans for the investments by the Funds. Unforeseen factors may arise that neither the General Partner nor Dune is in a position to control, which may interrupt Dune's investment program and/or negatively impact returns on investments. For example, in the case of an investment by a Fund in a real estate-related loan or debt security, the Fund may be subject to borrowers re-paying such mortgage debts earlier than anticipated and as such, be exposed to downside prepayment risk, which may impact the returns with respect to such an investment.

Investments in Land, Development and Redevelopment. The Funds may acquire interests in undeveloped land or underdeveloped real property, real estate developments or redevelopments and/or businesses that engage in real estate development or redevelopment. To the extent that a Fund invests in such assets or activities, it will be subject to the risks normally associated with such assets and development activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Funds. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

Due Diligence. Due to the nature of many of the opportunities that would qualify as investments and the participation by the Funds in competitive sales processes, Dune may have a limited amount of time in which to conduct due diligence or determine that sufficient information has been provided to conduct a thorough due diligence process. No assurance can be given that Dune or the General Partner will have knowledge of all circumstances that may adversely affect an investment, and the Funds may make investments that they would not have otherwise made if more extensive due diligence had been undertaken. Certain facts with respect to an investment that only arise following its acquisition by a Fund may have a material adverse impact on the value of such investment.

Joint Ventures with Third Parties. The Funds may make investments with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that such third party (i) may encounter liquidity or insolvency issues or may become bankrupt, (ii) may at any time have economic or business interests or goals which are inconsistent with those of any of the Funds, or may be in a position to take action contrary to the Fund's investment objectives and/or (iii) the Funds may be liable for actions of such third parties. A third party partner may be an operating partner or interest holder in another joint venture or other vehicle in which Dune or its affiliates have an interest or otherwise controls. In addition, the Funds may invest with non-affiliated partners whose ability to influence the affairs of the companies in which the Fund invests may be significant, and even greater than that of the Funds.

Distressed Investments. The Funds may purchase, directly or indirectly, investments that are experiencing significant financial or business distress, including securities, companies or real estate assets involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time.

Investments in Undervalued Assets. The Funds may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there can be no assurance that such opportunities will be successfully recognized or acquired. While

investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Investment-Level Leverage. The investments in which the Funds invest may, directly or indirectly, already be or become highly leveraged, in which case lenders or other holders of senior positions would be entitled to a preferred cash flow prior to the Funds receiving a return. These investments may be subject to restrictive financial and operating covenants and the Funds may provide guarantees in order to secure such leverage. The leverage may impair the ability of investments to finance their future operations and capital needs and may limit their flexibility to respond to changing business and economic conditions and opportunities. The income and net assets of a leveraged entity will tend to be more volatile than if borrowed money had not been used. Failure to obtain leverage or the bankruptcy and/or default of a lender of its lending obligations may have a negative impact on the Fund's returns. If the Fund's investments do not generate sufficient cash flow from operations, the investments may not be able to repay borrowings, or the Funds may be forced to sell such investments at a disadvantageous time to repay borrowings, which could adversely affect the Fund's performance. Dune's targeted returns may be dependent on the use of leverage, and the lack of available or attractive financing (including, both acquisition and construction financing) may adversely impact returns. Furthermore, in cases where assets fail to meet business plans, leverage may adversely impact returns.

Contingent Liabilities. The Funds may, directly or indirectly, be required to provide certain guaranties or other indemnities (including, but not limited to, repayment guaranties, carry guaranties, completion guaranties, carve-out guaranties and environmental indemnities) to a lender in connection with an investment-level financing or in favor of the buyer upon disposal of an investment or to other persons from time to time. In addition, the Funds may from time to time incur, directly or indirectly, contingent liabilities in connection with an investment. Any such contingent liabilities may be material and accordingly, have an adverse effect on the returns to the investors in the Funds. The Funds may also enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third party and/or grant a lender the priority right to distributions from investments in such default situation. These arrangements may result in the incurrence of contingent liabilities for which Dune or the General Partner may establish reserves or escrow accounts and such reserves or accounts (if any) may be insufficient to cover the liability. In certain circumstances, Dune or the General Partner may require the Limited Partners to return distributions made to them for the purpose of meeting their pro rata share of any of the Funds' obligations or liabilities, including those arising from the operation, sale or disposition of any investment, subject to certain limitations.

Lending Risks. The Funds may make investments that include originating and/or investing in loans. In addition to the risk of a borrower's inability to meet principal and interest payments on the obligation (credit risk), 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, claims for lender liability, violation of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments and price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). In certain

circumstances, the Funds' investments that consist of loans may not be secured by a mortgage, but instead by partnership interests or other collateral that provide more uncertainty than a mortgage.

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

Interest Rate Risks. The Funds' investments will have exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of one or more of Funds' investments. Changes in the general level of interest rates can affect the Funds' 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 Rate Hedging Transactions. In connection with floating rate debt on any of its investments, the Funds may enter into interest rate swaps, caps or other hedging transactions (including transaction sin forward non-U.S. currency or currency options). While such transactions may reduce certain risks, such transactions themselves entail certain risks. Unanticipated changes in interest rates may result in a poorer overall performance for the Funds than if they had not entered into any interest rate hedge transactions. In addition, there may not be a limit on the exposure that the Funds may incur to any single counterparty under OTC derivatives instruments, exchange-listed securities options, repurchase agreements or other similar transactions and, as a result, if any such counterparty became unable to pay amounts due to the Funds on such instruments or transactions, the financial losses to the Funds would be greater than if such limits were imposed.

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

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

- A. Broker-dealer registration.** Neither Dune nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Commodity industry registration.** Certain of the related person entities that serve as a General Partner to any of the Funds are exempt from registration with the CFTC as Commodity Pool Operators, under CFTC Rule 4.13(a)(3).
- C. Material relationships.** Dune is affiliated with the General Partners each of which is deemed registered under the Advisers Act pursuant to Dune's registration. Under SEC guidance, the SEC has deemed these affiliated investment advisers to operate, for registration purposes, as a single advisory business together with Dune. The General Partners serve as general partners of the Funds and may share with Dune common owners, officers, partners or persons occupying similar positions.

Certain employees of Dune (including such employees' family members and/or investment vehicles) may hold an ownership interest and/or may be entitled to an allocation of performance-based compensation in certain of the General Partners. Dune and its related persons may also form other partnerships or entities and offer investment opportunities in such partnerships and entities in accordance with the operating agreements and offering documents of the Funds as more particularly described in Item 11 of this brochure. Dune's indirect principal owner, Mr. Neidich, has an indirect ownership interest in Dune Capital Management LP ("DCM"), an entity which serves as an investment advisor to private fund clients, and in Dune Capital Partners II LP ("DCP"), an entity which serves as the general partner to certain of DCM's private fund clients. DCM and DCP are considered related persons of Dune as a result of such indirect ownership by Mr. Neidich; however, neither Mr. Neidich nor any entity controlled by Mr. Neidich maintains any management or voting control of DCM or DCP. Dune is currently a party to an office sharing arrangement with DCM. Potential conflicts of interest pertaining to DCM are mitigated by the fact that DCM and Dune are separate businesses, by the fact that DCM is currently in the process of liquidating certain of its managed investments, and through policies and procedures implemented by Dune to restrict access to confidential and proprietary information. As stated in Item 4.A., the Funds were previously managed by DCM, however, on January 1, 2010 Dune assumed management responsibility of the Funds from DCM.

Dune has formed a pooled investment vehicle owned and controlled by certain of Dune's supervised persons. Such pooled investment vehicle is a limited partner in Dune Real Estate Fund III LP.

- D. Other Advisers.** Dune does not recommend or select other investment advisers for the Funds.

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

A. Code of Ethics. Pursuant to Rule 204A-1 of the Advisers Act, Dune adopted a Code of Ethics (referred to in this brochure as the “Code”). Dune has adopted institutional compliance policies and procedures consistent with the requirements of the Advisers Act. The Code is applicable to all Dune employees and governs each employee’s activities and conduct on behalf of Dune, as well as certain personal activities and conduct and conflicts of interest. As provided in the Code, Dune employees are required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by Dune or its employees. The Code is intended to ensure that Dune maintains the highest ethical standards in the conduct of Dune’s business, to ensure that the interests of the Funds and the investors therein are always recognized, respected and given precedence over those of employees, and to ensure that Dune conducts business with integrity and in compliance with all applicable laws. The Code includes policies regarding conflicts of interest, confidential information, personal investments and trading, gifts and entertainment, political contributions and employee conduct. The Code requires that personnel pre-clear certain public and private personal securities transactions, report personal securities transactions in accordance with the Code, on at least a quarterly basis and submit reports to Dune regarding personal accounts and reportable securities holdings at least annually. Dune seeks to ensure that employees follow its policies and procedures, by providing each employee with appropriate training at the time they are hired and on a periodic basis thereafter, as appropriate, including at a minimum annual firm-wide compulsory compliance training. In addition to training, each employee is required to sign written acknowledgements stating that they have read, understand and agree to abide by Dune’s policies (and with respect to certain matters, such as political contributions, quarterly certifications and acknowledgements are required as well). As a part of Dune’s compliance program, employees are required to obtain pre-approval to engage in certain activities, such as personal trading, gifts and political contributions. The Chief Compliance Officer periodically monitors and audits the policies and procedures outlined in the Code to ensure continued compliance therewith, including, conducting email reviews and personal trading reviews, among other tests. Dune has implemented an electronic portal on which each employees’ personal trading information is uploaded on a periodic basis to allow Dune and its compliance professionals to monitor employee (and in certain cases, spouses, family members, etc.) trading activities, among other things. Copies of this Code may be requested by contacting Michael D. Sherman, Dune’s Chief Compliance Officer, at (212) 301-8337 or at legal@drep.com.

B., C. and D.

Participation or Interests in Client Transactions and Personal Trading. Generally, except as permitted in the Funds’ governing documents, Dune or a related person does not recommend to the Funds, or buy or sell for the Funds’ accounts, securities in which Dune or a related person has a material financial interest. Generally, except as permitted in the Funds’ governing documents, Dune or a related person does not (i) invest in the

same securities that Dune or a related person recommends to the Funds or (ii) recommend securities to the Funds, or buy or sell securities for the Funds' accounts, at or about the same time that Dune or a related person buys or sells the same securities for Dune's or the related person's own account. Notwithstanding each of the foregoing statements, from time to time, employees may seek approval from the Chief Compliance Officer in accordance with the Code to purchase certain securities for themselves in which the Funds may hold or may be seeking to acquire an ownership interest.

Allocation of Investment Opportunities and Other Accounts. From time to time, investment opportunities may arise that are appropriate for an investment by more than one Fund or for which one or more Funds should have priority based on the governing documents of the Funds. The governing documents for the Funds and Dune's policies generally set forth the allocation guidelines to apply if and to the extent an opportunity is appropriate for more than one Fund at a particular point in time. Such documents generally provide Dune with the discretion to allocate on a fair and equitable basis. In addition, parallel Funds within a family of Funds generally invest in a transaction side-by-side based on available capital subject to Dune's policies and each Fund's governing documents. Further, Dune or its affiliates may form other partnerships or entities to make investments and offer investment opportunities in and provide investment advisory services to such entities from time to time, in accordance with the governing documents for the Funds. Dune may from time to time determine in its sole discretion that an investment opportunity may be too large for a particular Fund due to concentration or other factors and may allocate such opportunity among one or more of the Funds in accordance with the governing documents for the Funds and Dune's policies.

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

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

Advisory Committee. Generally, each family of Funds has an advisory committee of certain investors primarily to evaluate and advise on potential conflicts of interests. As described in the governing documents of the Funds, the advisory committee will have the authority, at the request of the General Partner or Dune, to consult with the General Partner or Dune concerning, and consent to, matters that may involve a conflict of interest. If the General Partner determines that a material conflict exists, the governing documents of the Funds generally provide that such matters are required to be submitted to the advisory committee for consent. In addition, advisory committee approval or

consent may be sought by Dune and the General Partner for other matters as otherwise contemplated in the Funds' governing documents.

Other Potential Conflicts of Interest and Transactions with Affiliates. Subject to the General Partner determining it is in the best interest of the Funds and the receipt of any approvals or consents that may be required under the governing documents of such Funds, investments (or portions thereof) may be sold or transferred from one Fund to another or to or from one or more affiliates of a Fund or the Funds may engage in certain other transactions with affiliates of Dune. The General Partner may determine that it is in the best interest of the Funds to implement a co-investment transaction with certain affiliates of Dune, including one or more Funds. The Funds may co-invest with one another in an investment and may also acquire from or sell to one another all or a portion of an investment owned by any one of the Funds. In addition, a Fund may acquire an investment in anticipation of offering such investment to another Fund at a future date if, at the time such investment is made, a particular Fund does not have available capital or is otherwise restricted from acquiring such investment. The Funds may have divergent interests in connection with these types of investments. Moreover, there may be uncertainties regarding the valuation or other terms of investments that are subject to these transactions. Each of the transactions described in this paragraph would be subject to advisory committee approval or consent as described above.

The Funds may acquire investments from or with, sell investments to, co-invest with or obtain financing from, an investment vehicle or other entity in which one or more members of the General Partner may have a non-controlling ownership interest or profits interest based on, among other things, investments that were made at one or more previous firms prior to joining Dune or other investment activities of the members of the General Partner.

Additionally, subject to the receipt of any requisite approvals or consents under the Funds' governing documents, from time to time, one or more of the Funds may seek to make an investment in the same issuer having a different seniority in the issuer's capital structure. Such transaction may result in a conflict between the interests of such Funds' if the issuer becomes distressed and is unable to satisfy the claims of all creditors and security holders. Under these circumstances, it may not be feasible for Dune to reconcile the conflicting interests of the Funds in a way that protects each of the Funds' interests.

Neither Dune nor any of Dune's professionals are required to devote their entire time and attention to the affairs of any one of the Funds. Accordingly, conflicts may arise in the allocation of such persons' time, services, functions and resources.

Item 12 Brokerage Practices

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

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

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

Item 13 Review of Accounts

A. Monitoring of accounts.

Dune's investment professionals regularly review and monitor the investments by the Funds. Dune employs a collaborative investment process in which its investment professionals execute its investments from origination and asset management through disposition. This approach focuses on collaboration, guidance and idea sharing among Dune's investment professionals. Dune's organized, institutional investment process centers around the Investment Committee. Dune's multi-step, iterative investment process allows the investment teams to continuously incorporate data and feedback throughout the investment lifecycle. Dune believes this leads to more efficient execution and more informed decision making.

Dune's investment professionals routinely meet to discuss asset management activities as well as potential new investment opportunities. Dune's Investment Committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments. Dune's Investment Committee is currently composed of six senior investment professionals: Mr. Neidich, Ms. Buckley, Mr. Oliner, Mr. Rush, Mr. Gimelstob and Mr. Sonnenborn. The Investment Committee offers insight and recommendations to the deal teams throughout the underwriting, asset management and disposition process. Investment Committee approval is generally required for certain key actions.

The Investment Committee also has oversight of the quarterly asset management process and approves material asset management actions. Under the oversight of the Investment Committee, Dune generally employs a comprehensive asset management model, in which the Partner and investment team who originated the investment continue to manage it through disposition. Dune generally develops detailed asset management plans as part of its investment process and oversees the implementation of the strategy. Dune generally meets bi-weekly to review the progress of each investment and to evaluate significant milestones. In addition, Dune performs a re-underwriting of each investment quarterly. This process includes a reevaluation of the business plan, a comparison of budget versus actual performance and a recommendation for any changes, if necessary, in the investment model and business plan. This extensive review and communication process is an integral component in managing risk. The quarterly review process is overseen by the Investment Committee. Dune's asset management process also generally involves significant ongoing dialogue among the investment professionals, in addition to the bi-weekly meetings and the quarterly reviews. In addition, Dune's asset management and investment valuation process is performed on a quarterly basis by Dune's Valuation Committee which is chaired by the Chief Financial Officer. Quarterly, Dune's Valuation Committee conducts a fair value analysis of each investment in accordance with Dune's valuation policy.

The investment professionals that are primarily responsible for a particular investment continually analyze and evaluate each investment and communicate with the property

manager, operator and/or developer partner with respect to the asset and its operations. In addition, Dune's investment professionals engage in site visits and/or meetings with the managers, operators and/or developer partners at each investment on a regular basis.

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

In addition, Dune furnishes to all of the Funds' investors audited financial statements with respect to each Fund annually generally within 120 days after year end and unaudited financial statements generally within 90 days of the end of each calendar quarter. Tax information is provided when available to investors and annual tax information is generally provided by April 15th annually.

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

Item 14 Client Referrals and Other Compensation

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

Item 15 Custody

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

Item 16 Investment Discretion

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

Item 17 Voting Client Securities

A and B.

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

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

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

Item 18 Financial Information

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

Item 19 Requirements for State-Registered Advisers

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