

AMERICAN REALTY ADVISORS

Form ADV Part 2A

March 14, 2014

Item 1: COVER PAGE

Part B:

This brochure provides information about the qualifications and business practices of American Realty Advisors ("American"). If you have any questions about the contents of this brochure, please contact us at (818) 545-1152 or butterfield@americanreal.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 American also is available on the SEC's website at www.adviserinfo.sec.gov.

Part C:

Registration with the SEC does not imply a certain level of skill or training.

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Item 2: MATERIAL CHANGES

There have been no material changes made to the March 13, 2013 version of American's ADV Part 2A Brochure ("Brochure").

Item 3: TABLE OF CONTENTS

Item 1:	COVER PAGE	1
Item 2:	MATERIAL CHANGES.....	2
Item 3:	TABLE OF CONTENTS	3
Item 4:	ADVISORY BUSINESS	6
	Part A – Advisory Business	6
	<i>Description of Firm.....</i>	<i>6</i>
	<i>Time in Business.....</i>	<i>6</i>
	<i>Principal Owner.....</i>	<i>6</i>
	Part B - Advisory Services.....	6
	<i>Pooled Investment Vehicles.....</i>	<i>6</i>
	<i>Separate Accounts.....</i>	<i>6</i>
	<i>Short-Term Investments.....</i>	<i>7</i>
	<i>QPAM / Consulting Services.....</i>	<i>7</i>
	<i>Takeover Services.....</i>	<i>7</i>
	<i>Development Services.....</i>	<i>7</i>
	Part C - Tailored Advisory Services.....	7
	Part D - Wrap Fee Programs.....	8
	Part E – Clients’ Assets Managed on a Discretionary Basis.....	8
Item 5:	FEES AND COMPENSATION	8
	Part A - Compensation Method; Fee Schedule; Negotiability	8
	<i>Fees – Separate Accounts</i>	<i>8</i>
	<i>Fees – Pooled Investment Vehicles</i>	<i>9</i>
	<i>Other Fees.....</i>	<i>9</i>
	Part B - Method of Payment	9
	Part C – Other Types of Fees or Expenses	10
	Part D – Pre-Paid Fees.....	10
	Part E – Compensation for the Sale of Securities.....	10
Item 6:	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	10
	<i>Side-by-Side Management</i>	<i>11</i>
Item 7:	TYPES OF CLIENTS	11
Item 8:	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	12
	Part A – Methods of Analysis; Investment Strategies.....	12
	Part B – Material Risks of the Investment Strategies Utilized by American.....	13
	<i>Management-Related Risks.....</i>	<i>13</i>
	<i>Market-Related Risks</i>	<i>13</i>
	<i>Property-Related Risks.....</i>	<i>13</i>
	<i>Capital Market-Related Risks</i>	<i>13</i>
	Part C - Material Risks of Investing in Real Estate and Pooled Investment Vehicles	13
	<i>Real Estate Investments May Not Generate Sufficient Income to Pay Expenses Related to the Investment.....</i>	<i>13</i>
	<i>Real Estate Investments Lack Liquidity and the Timing of Sale May be Affected by Factors Outside of American’s Control</i>	<i>14</i>

	<i>Real Estate Values May be Influenced by General Economic Conditions</i>	<i>14</i>
	<i>Real Estate Values are Subject to Various Other Factors Outside American's Control</i>	<i>14</i>
	<i>Risks Associated with Acquisition of Real Estate.....</i>	<i>14</i>
	<i>Risks Associated with Development and Repositioning Activities.....</i>	<i>14</i>
	<i>Cash Flow and Return on Investment are Subject to Risks Related to Tenant Defaults or a Lack of Acceptable Tenants</i>	<i>15</i>
	<i>Commercial Mortgage Loans May Not be Available on Acceptable Terms</i>	<i>15</i>
	<i>Subordinated and Mezzanine Debt Investments Involve Additional Risks Due to Lack of Control Over the Underlying Investment.....</i>	<i>16</i>
	<i>The Foreclosure Process Associated with Nonperforming Loans May be Lengthy and Expensive</i>	<i>16</i>
	<i>Investment Returns on Short-Term Investments May Be Less than Real Estate Returns.....</i>	<i>16</i>
	<i>Illiquidity of Real Estate Investments</i>	<i>16</i>
	<i>Insurance Coverage May Not Cover All Losses.....</i>	<i>17</i>
	<i>Potential Environmental Liability</i>	<i>17</i>
	<i>Possibility of Future Terrorist Activity</i>	<i>17</i>
	<i>Risks Related to Investments in Pooled Investment Vehicles.....</i>	<i>17</i>
Item 9:	DISCIPLINARY INFORMATION	18
	Part A – Criminal or Civil Actions	18
	Part B – Administrative Proceedings	18
	Part C – Self-Regulatory Organization Proceedings	18
Item 10:	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	18
	Part A – Registration as a Broker-Dealer; Registered Representatives	18
	Part B – Registration as a Futures Commission Merchant, Etc.....	18
	Part C – Material Relationships	18
	Part D – Other Investments.....	18
Item 11:	CODE OF ETHICS; PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	19
	Part A – Code of Ethics.....	19
	Part B – Recommendations Regarding Securities	19
	Part C – Co-Investment	19
	Part D – Trading.....	20
Item 12:	BROKERAGE PRACTICES	20
	Part A.1 – Factors Considered in Selecting Broker-Dealers – Research and Other Soft-Dollar Benefits.....	20
	Part A.2 – Brokerage for Client Referrals	20
	Part A.3 – Directed Brokerage	20
	Part B – Aggregation of Trades.....	20
Item 13:	REVIEW OF ACCOUNTS.....	21
	Part A – Periodic Review of Client Account	21
	Part B – Special Client Account Reviews.....	21
	Part C – Client Reports.....	21
Item 14:	CLIENT REFERRALS AND OTHER COMPENSATION	22
	Part A – Economic Benefits Provided to American.....	22
	Part B – Compensation of Others for Referrals	22
Item 15:	CUSTODY	22

Item 16: INVESTMENT DISCRETION22

Item 17: VOTING CLIENT SECURITIES.....23

 Part A – Authority to Vote Client Securities23

 Part B – Lack of Authority to Vote Client Securities.....23

Item 18: FINANCIAL INFORMATION23

 Part A – Prepayment of Fees23

 Part B – Financial Condition.....23

 Part C – Bankruptcy23

Item 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....23

Item 4: ADVISORY BUSINESS**Part A – Advisory Business***Description of Firm*

American is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Act”). American is an investment advisory firm that serves as a real estate investment manager. American’s clients are primarily institutional clients such as pension plans, trusts, endowments, foundations, and similar entities. Clients invest either in “separate accounts” or “pooled investment vehicles” also referred to as “commingled funds”, as described in Item 4, Part B below. The pooled investment vehicles sponsored by American are also viewed as clients of American.

Time in Business

American initially registered with the SEC on November 15, 1990 and has been in business since 1988.

Principal Owner

American’s senior investment professionals have always held 100% of American’s common stock. The Iezman Family Trust currently owns 100% of the firm’s common stock. Under the terms of the Iezman Family Trust agreement, Stanley L. Iezman, the firm’s Chairman and Chief Executive Officer, has exclusive voting control over American’s common stock. There are several key employees who share in the profits of American. This profit-sharing arrangement provides key employees with additional incentives to ensure the success of the firm and aligns their interests to the goals of the firm’s clients in the same manner as if they had an economic ownership interest in the firm.

Part B - Advisory Services

American provides a variety of investment advisory services. However, American’s investment advice is limited to real estate related matters and investments. American invests in real estate and real estate related investments on behalf of its clients and provides advice regarding real estate investments. American generally limits the real estate investments it makes on behalf of its clients to commercial and multi-family properties. American also makes loans, or enters into structured finance transactions secured, directly or indirectly, by real estate, on behalf of the firm’s clients. The various services American provides to its clients, including its consulting and Qualified Professional Asset Manager (“QPAM”) services and “takeover assignments,” are defined and described in more detail below.

Pooled Investment Vehicles

American provides advisory services to pooled investment vehicles sponsored by American and to one such vehicle originally sponsored by another advisor. A pooled investment vehicle is an investment vehicle in which multiple investors invest. American, or an affiliate of American, serves as the manager or general partner for several pooled investment vehicles. The investors in these vehicles hold an ownership interest in the vehicle and do not directly own real estate. Currently, two of these pooled investment vehicles are closed-end and three are open-ended. Additional pooled investment vehicles may be sponsored by American in the future. A closed-end investment vehicle is one that has a fixed term after which the pooled investment vehicle liquidates its assets. Investors who invest in a closed-end pooled investment vehicle are generally obligated, by the terms of the governing agreements for the closed-end vehicle, to remain invested until the end of the term, although subject to prior approval may be allowed to assign their interests to others. An open-end vehicle has an indefinite life and investors are allowed to invest and/or redeem their investment in the pooled investment vehicle each quarter, subject to the terms of the governing agreements for the open-end vehicles.

Separate Accounts

Other clients invest directly in real estate through a separate account established by American. In some cases, the client originally established such an account with another advisor and later selected American to takeover management of the

account. American provides these clients with advisory services related to real estate related investments held exclusively for the benefit of that client.

Short-Term Investments

American also manages cash generated from such real estate investments and makes short-term investments ("Short-Term Investments") for certain of its clients related to their real estate investments. Such Short-Term Investments may include:

- commercial paper;
- certificates of deposit; or
- U.S. Government securities.

American may establish a discretionary account with a bank, a broker-dealer or an investment adviser to allow them to make such Short-Term Investments. Such Short-Term Investments are generally made with capital awaiting investment in real estate, undistributed operating cash flow, or proceeds from the sale of real estate or other investments. Short-Term Investments are intended to be temporary, pending distribution of such funds to the client or reinvestment of such funds in new real estate related investments.

QPAM / Consulting Services

In addition to American's primary business of investing in real estate, American serves on a regular basis as a consultant to various pension plans and as a QPAM under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with regard to various transactions in which the services of a QPAM may be required. Such services include:

- reviewing and advising on the client's proposed real estate transactions;
- evaluating and advising on conflicts of interest in real estate related transactions;
- providing oversight of the development of real estate construction projects;
- conducting due diligence for potential real estate investments;
- providing analysis of various strategic decisions associated with leases, investments, development, dispositions and evaluation of investment decisions; and
- evaluating investments which have been completed to determine whether they meet various industry and fiduciary standards.

Takeover Services

American also provides services as an advisor to separate account and pooled investment vehicle clients who have invested in real estate with another investment manager and who wish to engage American to takeover the management of the account or the pooled investment vehicle. These takeover services involve analyzing the assets in the takeover account and addressing historical issues with the assets and developing operating plans for the assets.

Development Services

American also provides services related to the oversight of the development of real estate assets.

Part C - Tailored Advisory Services

Advisory services are designed to satisfy the individual needs of each of American's separate account clients as outlined in the investment management agreement negotiated with the client. Typically, American's clients grant American discretionary authority to select the real estate investments to be made on behalf of such clients. American generally also has discretion to determine when to sell such real estate investments. However, certain clients may impose restrictions in the investment management agreement, in investment guidelines, or in an investment policy statement. Such restrictions may prevent American from investing in specific types of investments or limit American's discretionary authority.

American provides advisory services to the pooled investment vehicles it sponsors tailored to the specific goals, objectives and operating guidelines of each vehicle. For example, American's services can be tailored to accommodate the objective of avoiding unrelated business taxable income or of investing in a diversified portfolio of real estate, both geographically and by property type.

Part D - Wrap Fee Programs

Not applicable. American does not participate in wrap fee programs.

Part E – Clients' Assets Managed on a Discretionary Basis

The amount of client assets American managed on a discretionary basis, calculated based on the gross asset value of such assets, as of December 31, 2013 was \$5,969,951,012. The amount of client assets American managed on a discretionary basis, calculated based on the net asset value of such assets, as of December 31, 2013, was \$4,723,431,585.

The amount of client assets American managed on a non-discretionary basis, calculated based on the gross asset value of such assets, as of December 31, 2013 was \$17,825,816. The amount of client assets American managed on a non-discretionary basis, calculated based on the net asset value of such assets, as of December 31, 2013, was \$10,672,849.

American is deemed to manage client assets on a "discretionary" basis when its clients have given American the discretion to determine the real estate investments to make and when to buy and sell those investments. However, even in these instances, American's discretion is subject to limitations and restrictions as outlined by the client in the investment management agreement, in investment guidelines, or in an investment policy statement.

The amount of client assets American managed shown in this Brochure differs from the amount of regulatory assets under management reported in American's ADV Part 1 due to the fact that regulatory assets under management, as required to be calculated by the instructions to ADV Part 1, relate to securities portfolios for which an advisor provides continuous and regular supervisory or management services. Thus, the real estate assets held in the separate accounts management by American are excluded from the regulatory assets under management reported in the ADV Part 1. Since the instructions to the ADV Part 1 provide that all of the assets of a "private fund", as defined by the instructions, are to be treated as a securities portfolio, and four of the commingled funds American manages fall within the definition of a private fund, the assets of those commingled funds and certain uncalled capital commitments with respect to one open-end commingled fund are reported in American's ADV Part 1 as regulatory assets under management. Thus, the assets of American's largest commingled fund and its separate accounts are included in the amounts reported in this Brochure but not in American's regulatory assets under management.

Item 5: FEES AND COMPENSATION

Part A - Compensation Method; Fee Schedule; Negotiability

Fees – Separate Accounts

Annual fees for activities undertaken on behalf of separate account clients typically range from an annual rate of 0.45% to 2.00% of the value of the assets under management depending on the nature of the separate account mandate. Asset management fees are typically based on some or all of the following criteria:

- the original acquisition cost of the assets;
- the current net or gross market value of the assets;
- the balance of any outstanding loan investment; or
- the net operating income generated from the assets.

On occasion, the asset management fee charged by American may be a negotiated fixed amount.

Asset management fees for separate account clients are typically paid either on a monthly or a quarterly basis. Frequency of payment and amount of the fees are as agreed upon between American and the individual client.

In addition to the asset management fee, other fees, such as takeover, due diligence, real estate acquisition, incentive, workout, loan, or disposition fees, are paid on a negotiated basis with respect to American's separate account clients.

Fees – Pooled Investment Vehicles

American receives an asset management fee with respect to each investor's investment in the pooled investment vehicles it sponsors.

The governing documents of the pooled investment vehicles specify the fee schedule for the payment of any other fees to American by the investors in such vehicles. They also specify the timing of the payment of such fees to American. Asset management fees payable to American range from an annual rate of 0.85% to 1.25%, and vary depending upon the pooled investment vehicle sponsored by American and other factors. For example, the amount of the asset management fee paid to American by investors in one of the pooled investment vehicles sponsored by American is linked to the size of the investor's total investment commitment. In another of the pooled investment vehicles sponsored by American, the governing documents establish a tiered fee structure linked to the net asset value of the investor's investment.

No asset management fee is charged on commitments made by an investor that have not yet been contributed to the pooled investment vehicle.

In addition to the asset management fee, the governing documents for certain of the pooled investment vehicles include provisions for other fees such as:

- a cash management fee;
- an acquisition fee; and
- a performance-based fee

American has historically elected to waive a portion of the asset management fees that would be payable to American pursuant to the governing documents for one of the pooled investment vehicles it sponsored. Investors in this vehicle who made a capital commitment below a breakpoint where asset management fees decline have been granted a fee break at such time as the net asset value of their interest in the pooled investment vehicle exceeds any of the breakpoints for fee reductions even though their capital commitments were insufficient to achieve the fee break. This fee break has been provided to such investors until such time as the net asset value of their investment in the vehicle has declined below the breakpoint. In addition, American has elected to waive that portion of the asset management fee that would be payable to American pursuant to the governing documents for this pooled investment vehicle attributable to excess cash, which for purposes of the waiver is determined to be all cash in excess of 5% of the pooled investment vehicles net asset value. There is no guarantee that American will continue to waive a portion of the fees to which it is entitled pursuant to the governing documents of the vehicle.

In addition, American may negotiate specific terms of investment for certain perspective investors in its pooled investment vehicles that differ from the terms applicable to other investors, such as fees. Except as noted above, fees paid by investors in the pooled investment vehicles sponsored by American have historically not been negotiable.

Other Fees

Hourly fees are charged for certain services provided to consulting services clients at rates ranging from \$250 to \$1,500 per hour, depending on the nature of the work, as may be negotiated by the client.

Part B - Method of Payment

Separate account clients may select whether they prefer to be billed for their fees or to have the fees deducted from their account. However, American typically bills its separate account clients for the fees incurred. This occurs on a quarterly basis

unless American and the client negotiate other payment terms. Fees are not deducted from assets held in a separate account unless the investment management agreement with the client provides American with this authority.

American deducts fees from distributions to investors who have invested in the open-end pooled investment vehicles American sponsored. If an open-end pooled investment vehicle sponsored by American does not declare a distribution for a particular quarter, the asset management fees due to American would accrue and be paid out of the next available distribution. In the case of the closed-end pooled investment vehicles, and the open-end pooled investment vehicle currently managed by American but originally sponsored by another advisor, American deducts its fees from the investor's investment directly. Asset management fees are paid quarterly, in arrears. Acquisition fees are paid following the closing on a new investment. Performance based fees are payable in accordance with the terms of the governing documents for those pooled investment vehicles that provide for such a fee.

The method for payment of American's fees is fixed by the terms of the governing documents applicable to an investment in the pooled investment vehicles. Thus, investors who invest in such investments may not select which method of payment they would prefer.

Part C – Other Types of Fees or Expenses

Except as noted in this Brochure, investors who invest in American's pooled investment vehicles are not obligated to pay other fees or expenses in connection with the advisory services American provides to the pooled investment vehicle. The pooled investment vehicles reimburse American for various expenses incurred in connection with the management of the vehicle. Such reimbursement is subject to the limitations specified in the governing agreements for such pooled investment vehicles.

The investment management agreements between American and its separate account clients specify any other fees required to be paid by the client. Generally, expenses related to the operations of the assets held by the separate account are deducted prior to distributions to the clients.

Consulting services clients are sometimes obligated to pay for other expenses, such as travel expenses incurred by American personnel to visit the asset. Any obligation to reimburse American for expenses, however, would be negotiated and outlined in the consulting services agreement entered into between the client and American.

Clients and investors are not billed on a direct basis for real estate brokerage fees or other transaction costs associated with the purchase or sale of a real estate asset or the leasing of space in a real estate asset owned by a separate account client or a pooled investment vehicle. However, these expenses impact the overall performance of the investment.

Part D – Pre-Paid Fees

American's fees are generally earned when services are provided, and are generally paid in arrears after the services have been provided. On occasion, American will enter into a consulting services engagement and the terms of the consulting services agreement for that engagement will provide that a portion of the fee that is negotiated for the project is earned and due at the time the agreement is executed with the balance of the fee either due at pre-determined stages or upon completion of the assignment. No refunds are available for any portion of the fee due upon execution of the agreement for such an engagement unless the client has negotiated such a provision in the agreement.

Part E – Compensation for the Sale of Securities

Neither American nor any of American's employees, accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The investment management agreements between certain of American's separate account clients and American provide that American is entitled to receive an incentive fee calculated as a percentage of the return on the client's investment above a

certain minimum return, or based on other performance related criteria. Any such incentive fee is in addition to the asset management fee paid by the client.

The investment management agreement between American and certain of the pooled investment vehicles it sponsors provides American with the opportunity to receive a performance-based fee. Such fees are summarized in the offering documents related to such vehicles.

American's receipt of performance-based fees may incentivize American to make investments that are riskier or more speculative than it would make in the absence of performance-based fees. With respect to the pooled investment vehicles that American manages, the performance-based fee arrangements are not the product of arm's length negotiations with third parties. Instead, these fee arrangements are established by the governing documents for the pooled investment vehicles and are known to the investors in those vehicles at the time that they make their investment decision.

All performance-based fees are calculated and paid in accordance with Section 205 and Rule 205-3 under the Act.

Side-by-Side Management

American manages accounts that are charged a fixed asset management fee as well as a performance-based or incentive fee. American also manages accounts that are only charged a fixed asset management fee. The SEC refers to this as side-by-side management.

American believes that incentive fees serve to align American's interests with those of its clients. The potential exists, however, for these incentive fees to create a conflict of interest. For example, American could be motivated to devote more resources or allocate more favorable investment opportunities to accounts offering American the potential to earn an incentive fee.

Any potential conflicts of interest that might otherwise exist due to performance-based fee accounts are mitigated by American's rigorous application of its asset management procedures. American applies a consistent approach to asset management across all assets under its management regardless of the fee structure of the account in which the asset is held. For example, American has a formal allocation policy that mitigates the risk that investment opportunities will be allocated to accounts based, even in part, on whether or not the account affords American the opportunity to earn an incentive fee. In addition, all assets under management receive the same detailed attention and management. Compliance with American's policies and procedures related to the management of the firm's assets and any potential conflicts of interest are monitored by the firm's Chief Compliance Officer, members of the firm's senior management and American's Investment Committee.

Item 7: TYPES OF CLIENTS

American serves primarily as a real estate investment manager for pension plans regulated by ERISA, and for government pension plans not subject to ERISA. In addition, American serves as an advisor to various health and welfare plans, trusts, endowments, foundations, and similar institutional entities. American may also provide advisory services to individuals should they wish to establish a real estate separate account. In addition, individuals who meet the requirements for investment in such vehicles may invest in the pooled investment vehicles sponsored by American.

American has not established a minimum account size for establishing a separate account. The amount of the minimum initial investment required for investment in the pooled investment vehicles sponsored by American ranges from \$1 million to \$2 million. American, in its sole discretion, may accept investments of less than these amounts in the pooled investment vehicles.

Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**Part A – Methods of Analysis; Investment Strategies**

The investment criteria used by American for investing in or disposing of an individual real estate related asset, or making a loan on behalf of a client's account, is governed by the specific investment strategy adopted for each client's portfolio or the applicable pooled investment vehicle.

Investment criteria established for assets in a particular client portfolio may include:

- current and potential cash flow;
- current investment value and future appreciation potential;
- preservation of capital;
- highest and best use of a real estate asset; or
- location, with emphasis on product demand within the market or the sub-market.

American's loan underwriting or investment process begins with a market and sub-market analysis. This analysis is followed by a comprehensive review of the investment, negotiation of the terms of the transaction, due diligence regarding the investment and underwriting of the terms of the investment. During the loan underwriting or acquisition process, American may engage experts in the field of construction, leasing and property management to evaluate:

- the specific property;
- the current or potential tenants in such property; and
- the market or submarket in which the property is located.

American is active in the management of the real estate assets held in its clients' portfolios. American has a well-defined hold/sell discipline that is consistent with the investment guidelines established for each client portfolio. American seeks to identify each variable that has the potential to impact value for each of the assets held in its clients' portfolios or in the portfolios of its pooled investment vehicles. In addition, American seeks to understand all risk factors that can impact performance returns and to determine how to mitigate those risks when they are controllable.

American utilizes a team-oriented, research-focused, pro-active investment process and a clearly defined investment strategy that:

- identifies each potential asset's inherent competitive strengths and opportunity for unrealized value;
- evaluates those factors that have the most impact on value; and
- focuses on executing the acquisition/asset management/disposition process in a manner intended to maximize value.

As noted in Item 4, Part B above, American also makes Short-Term Investments. Such investments are either made directly by American or made through a bank, a broker-dealer or an investment adviser to whom American has granted discretionary investment authority, subject to certain investment guidelines.

For Short-Term Investments in U.S. Government securities that are made directly by American, American relies on its own analysis, including analysis of published information regarding the expected movement of interest rates. For short-term securities that are not obligations of the U.S. Government, American reviews rating agency analysis and other publicly available information regarding the creditworthiness of the obligor and the particular security. American reviews financial publications and broker-dealer research reports as applicable.

Investments in real estate involve economic and business risks inherent in real estate investments as described in detail in Part C below. Real estate related investments involve a risk of loss that clients and investors in pooled investment vehicles should be prepared to bear.

Part B – Material Risks of the Investment Strategies Utilized by American

American seeks to achieve client objectives through prudent investment and the application of investment guidelines to its management of client portfolios and pooled investment vehicles.

The investment strategies utilized by American pose potential risks that may include:

- impacts related to investing in particular geographic locations;
- impacts related to investing in particular property types; and
- impacts related to the exposure to industries represented by tenants in one or more properties in which such portfolios or pooled investment vehicles invest.

In addition to geographic, property sector, and economic risks, the various investment strategies used by American involve risk that can be identified as falling into four broad categories listed below. American addresses these broad risk categories as follows:

Management-Related Risks

American seeks to provide full transparency to clients and their advisors in all phases of the firm's operations. The firm has instituted a strictly enforced disclosure, ethics, and compliance program that seeks to ensure that all potential conflicts of interest are fully disclosed.

Market-Related Risks

American actively tracks and seeks to forecast real estate market conditions at the submarket level. From this data, American then identifies potential opportunities and risks related to real estate market conditions through its target market analysis.

Property-Related Risks

American has developed a systematic process for evaluating each property's characteristics including lease rollover, tenant credit and other property-specific risks. The ability to attract and retain tenants and to underwrite tenant creditworthiness accurately fluctuates depending on overall economic conditions.

Capital Market-Related Risks

American's investment strategy is focused on middle-market, institutional quality multi-tenant assets nationwide, and on properties that exhibit high quality construction and design features. At times, such assets may outperform or underperform other larger, smaller, lower-quality, or single tenant assets.

Part C - Material Risks of Investing in Real Estate and Pooled Investment Vehicles

American's business is exclusively related to real estate. The following is a summary of the specific risks involved in investing in real estate or real estate related investments or in a pooled investment vehicle, such as those sponsored by American, that invest exclusively in real estate or real estate related investments.

Real Estate Investments May Not Generate Sufficient Income to Pay Expenses Related to the Investment

A risk of investing in income-producing real estate is the possibility that the real estate will not generate income sufficient to meet operating expenses, to service any loans that are secured by the properties or to fund adequate reserves for capital expenditures. The income from such properties may be affected by many factors, including the factors listed below:

- fluctuations in occupancy levels, operating expenses and rental income (all of which in turn may be adversely affected by general and local economic conditions);
- the supply of and demand for properties of the type in which American has invested on behalf of its clients;

- compliance by tenants with the terms of their leases;
- collection difficulties;
- energy shortages;
- the enactment of unfavorable environmental, zoning or other legal restrictions or regulations;
- Federal and local rent controls; and
- changes in real property tax rates.

Real Estate Investments Lack Liquidity and the Timing of Sale May be Affected by Factors Outside of American's Control

The marketability and value of real estate acquired by American for its clients depends on a number of factors beyond American's control. Market demand for the properties held on behalf of American's clients may not exist at any particular time. Investments in real estate are not as liquid as investments in publicly-traded securities. Return on investment depends on certain factors that cannot be predicted at the time of investment, that may be beyond American's control, and that may be uninsurable or not economically insurable (such as losses caused by earthquakes, floods, or terrorism).

Real Estate Values May be Influenced by General Economic Conditions

Each real estate investment made by American is exposed to the general economic conditions and the local, regional and national conditions that affect the market in which it is located. Any material oversupply of similar properties or a material reduction of demand for such properties in the market could adversely affect the investment.

Real Estate Values are Subject to Various Other Factors Outside American's Control

Real property investments are subject to varying degrees of risk. While American attempts to minimize exposure to these risks through the diversification of a client's portfolio, use of market research and the exercise of American's investment management capabilities, these risks cannot be eliminated. The factors that can affect real estate values include:

- the attractiveness of the property to potential buyers or renters;
- competition from other available properties;
- the ability to provide adequate maintenance of, and insurance on, its properties;
- the ability to control variable operating costs; and
- governmental regulations, including zoning, usage and tax laws, and changes in or potential liability under these and other laws.

Risks Associated with Acquisition of Real Estate

The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated and the risk that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre-acquisition due diligence process will exceed estimates. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet the investment criteria for American's pooled investment vehicles and its clients' separate accounts. There are also risks associated with obtaining financing for acquisition activities, if necessary.

Risks Associated with Development and Repositioning Activities

On behalf of certain of its clients, American may acquire direct or indirect interests in real estate that is undeveloped or underdeveloped. To the extent American invests in such an asset, the investment will be subject to the risks normally associated with development activities. Such risks include:

- risks relating to the availability and timely receipt of zoning,
- planning consents, licensing and other regulatory approvals,
- the cost and timely completion of construction (including risks beyond the reasonable control of American, such as weather or labor conditions or material shortages), and
- the availability of both construction and permanent financing on favorable terms.

These risks could result in substantial unanticipated delays or expenses. These risks could prevent completion of the development activities. 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 experience operating deficits after the date of completion. In addition, market conditions may change during the course of development, which may make such development less attractive than at the time it was commenced.

Certain investments made by American on behalf of its clients may involve real properties under construction. The primary risks associated with new construction are cost overruns and delays. American will generally require developers to meet certain performance benchmarks with respect to construction progress, as a condition of the investment. Although such developers may be required to guarantee completion of construction and be responsible for cost overruns, delays may be beyond the control of such developers, and hence cannot always be fully mitigated. Should delays occur, the related investment may be subject to a longer holding period, possibly decreasing the return. Developer guarantees may not include all costs or may not be fulfilled by the developer.

Although American will attempt to mitigate some of the construction risk by requiring third-party surety guarantees for the completion of construction in some instances, affiliating in most instances with development companies having significant net worth and cash flow to support completion guarantees, and in many cases requiring the deferral of developer fees and a portion of construction fees, there can be no assurances that American will be successful in so doing. Any increased construction costs could materially and adversely affect the return on the investment.

Cash Flow and Return on Investment are Subject to Risks Related to Tenant Defaults or a Lack of Acceptable Tenants

Where American's investments on behalf of its clients involve rental estate, the results of operations and distributable cash flow would be adversely affected if a significant number of the tenants are unable to meet their lease obligations. In the event of default by a significant number of tenants, American may experience delays and substantial costs may be incurred in enforcing its rights as landlord. The property's performance would also be adversely affected if American is unable to lease and re-lease, on economically favorable terms, a significant amount of space in its real estate properties. The number of real estate properties involving similar types of use and/or customer base in a market or submarket could adversely affect both American's ability to lease and lease-up the property and the rental rates that can be obtained in new leases where applicable.

Commercial Mortgage Loans May Not be Available on Acceptable Terms

Commercial mortgage loans generally lack standardized terms, which may complicate their structure. Commercial properties themselves tend to be unique and are more difficult to value than single-family residential properties. Commercial mortgage loans also tend to have shorter maturities than residential mortgage loans and may not be fully amortizing, meaning that they may have a significant principal balance, or "balloon," due on maturity. The timely payment of interest and principal on a commercial mortgage loan is secured by an income producing property and, therefore, is dependent upon performance and payments by the lessees under the related leases and the successful operation of the underlying property, rather than its liquidation value. If the net operating income from the underlying property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the commercial mortgage loan may be impaired.

Furthermore, the liquidation value of the property may be adversely affected by risks generally incidental to interests in real property. In addition, the borrower's ability to make payments with respect to a commercial mortgage loan depends largely on the ability of tenants to perform under their rental obligations under existing leases and the ability of the borrower to continue to lease a substantial portion of the property upon terms that do not adversely affect the property's cash flow. As the leases expire or lessees default, the demand for and supply of rental space in general, from time to time, may affect the property's occupancy rate and the rental rates obtained and concessions, if any, granted on new leases or re-leases of space, which may cause fluctuations in the cash flow from the operation of the property. Such fluctuations may affect the amount and timing of payments on the commercial mortgage loan.

Furthermore, commercial mortgage loans with balloon payments involve a greater degree of risk of payment because the ability of a borrower to make a balloon payment may depend upon its ability to either refinance the loan or to sell the related property. The ability and desire of the borrower to accomplish either of these goals will be affected by a number of factors,

including the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the property, the physical and financial condition and operating history of the property, tax laws, prevailing general economic and market conditions and the availability of credit for commercial real estate projects, generally. In addition, the value of commercial properties depends, in part, on the fitness of such properties for a particular purpose. Thus, no assurance can be given that a borrower will not default.

Subordinated and Mezzanine Debt Investments Involve Additional Risks Due to Lack of Control Over the Underlying Investment

American may make or acquire subordinated and mezzanine debt investments on its clients' behalf. To the extent American makes or acquires such investments on behalf of its clients, American does not anticipate having absolute control over the underlying collateral and will be dependent upon third-party borrowers and agents and will have rights that are subordinate to those of senior lenders. American, on behalf of its clients, may make investments in loans secured by real property. If interest rates or financial markets change, or there is an adverse development with respect to such a property, American may be unable to obtain repayment of the loan or to dispose of its client's interest at a price sufficient to recover its client's full investment. In certain circumstances, the loans made by American on behalf of certain of its clients may not be secured by a mortgage, but instead by membership interests or other collateral that may provide weaker rights than a mortgage.

In any case, in the event of default, the source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders. The collateral value of the property may be less than the outstanding amount of the investment. Returns on an investment of this type depend on the borrower's ability to make required payments, and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the loan.

The Foreclosure Process Associated with Nonperforming Loans May be Lengthy and Expensive

Real estate loans originated or acquired by American for its clients may be at the time of their acquisition, or may become after origination, participation or acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a reduction in the interest rate and a write down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. It is possible that American may find it necessary or desirable to foreclose on collateral securing one or more real estate loans originated or purchased by American on behalf of a client.

The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states, foreclosure actions can take up to several years or more to conclude. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may disrupt ongoing leasing and management of the property.

Investment Returns on Short-Term Investments May Be Less than Real Estate Returns

American may, at times, have custody of excess funds or funds held for clients may be invested in Short-Term Investments pending investment in real estate investments. The investment returns from these investments may be lower than the investment returns from real estate investments.

Illiquidity of Real Estate Investments

Investments in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors (whether to finance or refinance portfolio properties or for potential purchasers of such properties). Significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, generally are not reduced in the event of a reduction or interruption in income from such investments. There is no assurance that cash flow from such investments will at all times be sufficient to provide for such expenditures.

Insurance Coverage May Not Cover All Losses

American expects to maintain suitable comprehensive insurance coverage for each of its clients' properties and their respective business operations, in each case as appropriate for the markets in which such properties and business operations are located. Any such insurance coverage will contain policy specifications and insured limits customarily carried for similar properties, business activities and markets. However, there are certain losses, including losses from floods, earthquakes, acts of war, or acts of terrorism and riots, that generally are not insured against or that generally are not fully insured against because it is not deemed to be economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of the properties owned by a particular client, the client could experience a significant loss of capital invested in the properties as well as a loss of potential revenue from the properties and could potentially remain obligated under any recourse debt associated with the properties.

Potential Environmental Liability

Real property is subject to federal and state environmental laws, regulations and administrative rulings that, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to federal and state environmental laws that impose liability on both past and present owners and users of real property for hazardous substance remediation and removal costs, often without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. Accordingly, there may be exposure to substantial risk of loss from environmental claims arising in respect of any property with undisclosed or unknown environmental problems or as to which inadequate reserves have been established. There is no assurance that such conditions do not exist or may not arise in the future, and the presence of such substances on the real estate investments made by American on behalf of its clients could adversely affect its ability to sell such investments or to borrow using such investments as collateral.

Possibility of Future Terrorist Activity

The properties in which American invests on behalf of its clients may be located in or near major metropolitan areas of the United States. Such properties, or the areas in which they are located, could be subjects of future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of certain properties. It is not possible to predict the severity of the effect that such future events would have on the U.S. financial and insurance markets and economy or the properties in which American has invested client funds. These events may have a negative effect on the business and performance results of the properties in which American has invested client funds, by raising insurance premiums and deductibles and limiting available insurance coverage.

Risks Related to Investments in Pooled Investment Vehicles

Investments in pooled investment vehicles involve risks that a direct investment in real estate may not involve. For example, investors in a pooled investment vehicle are not able to make any investment or other decision on behalf of the pooled investment vehicle and have no right to take part in the management of, or otherwise control, the business of the pooled investment vehicle. In addition, if an investor in a pooled investment vehicle fails to pay installments of its capital commitment when due, and the contributions made by non-defaulting investors are inadequate to cover the defaulted capital contribution, the pooled investment vehicle may be unable to meet its obligations when due.

Item 9: DISCIPLINARY INFORMATION**Part A – Criminal or Civil Actions**

American has no information to report with respect to this item.

Part B – Administrative Proceedings

American has no information to report with respect to this item.

Part C – Self-Regulatory Organization Proceedings

American has no information to report with respect to this item.

Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**Part A – Registration as a Broker-Dealer; Registered Representatives**

American is not registered, and does not have an application pending to register, as a broker-dealer. None of American's management persons are registered as a broker-dealer. None of American's management persons have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Part B – Registration as a Futures Commission Merchant, Etc.

American is not registered, and does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any such entity. None of American's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor. None of American's management persons are associated with any such entity.

Part C – Material Relationships

There are currently no relationships or arrangements that are material to American's advisory business or to American's clients that American or any of American's management persons have with any other businesses providing services to American's clients or its pooled investment vehicles. For example, none of the property management firms, real estate brokers, accountants, appraisers or banks utilized to provide services are affiliated with American and none of American's management persons have an ownership interest in any such service providers.

American has the right under the terms of many of its investment management agreements to have services required in connection with the management of the account or pooled investment vehicle performed either by American or its affiliates. In the event this should occur in the future, the party performing such services would receive compensation at rates comparable to or less than prevailing rates charged by independent third parties in the locale where the services are performed.

Part D – Other Investments

American does not recommend or select other investment advisers who would have a direct relationship with its clients. American has selected other unaffiliated investment advisers to manage Short-Term Investments made in cash equivalents. American does not receive compensation directly or indirectly from the investment advisers engaged to manage Short-Term Investments. One of these investment advisers is affiliated with a bank used by American, and used in connection with investments made by American on behalf of its clients and its pooled investment vehicles. American does not have any other business relationships with the investment advisers engaged to manage the Short-Term Investments or any business relationships with other investment advisers that could create a material conflict of interest.

Item 11: CODE OF ETHICS; PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Part A – Code of Ethics

American's Code of Business Conduct and Ethics ("Code") sets forth the standards of business conduct American expects from each of its employees. The Code requires, among other things, that all employees:

- comply with applicable federal securities laws;
- recognize their fiduciary duty to American's clients; and
- place American's clients' interests before their own in any business dealing.

A copy of American's Code will be provided free of charge to any client or prospective client who requests a copy.

Part B – Recommendations Regarding Securities

Except for its recommendation that potential investors invest in the pooled investment vehicles sponsored by American, neither American, nor any employee or affiliate of American, recommends to clients or potential clients securities in which American or an employee or affiliate has a material financial interest. American does not buy or sell Short-Term Investments for client accounts in which American or an employee or affiliate has a material financial interest. American does not acquire real estate for a client account or pooled investment vehicle in which American or an employee or affiliate has a material financial interest.

Part C – Co-Investment

American, an affiliate of American, or an employee of American, may invest in certain of the pooled investment vehicles sponsored by American along with the investors. In addition, American, an affiliate, or an employee may invest directly in the portfolio investments made by these investment vehicles and certain employees have done so in the past in immaterial amounts. Additional pooled investment vehicles may be sponsored by American in the future that may also allow for that possibility. Although such co-investment could give rise to a conflict of interest under certain circumstances, American believes that any such employee co-investment is more likely to further align the interests of American and its employees with those of American's clients and the investors in the commingled funds sponsored by American than to create any conflict of interest. Appropriate disclosures will be made and actions taken, in the event of any co-investment, to mitigate the risk that a conflict could occur.

Any purchase or sale of any real estate on behalf of the firm's clients or the pooled investment vehicles must be approved by American's Investment Committee in accordance with procedures designed to provide the Investment Committee members with sufficient time and information to make a fully informed decision. This requirement minimizes the risk that a decision would be made based on any criteria other than the client's best interests.

American uses a rotational system for the allocation of investments among the various separate account portfolios and pooled investment vehicles that it manages on behalf of its clients. Allocation of potential investments among client portfolios and pooled investment vehicles with similar investment strategies is based on the amount of time the client portfolio or the pooled investment vehicle has been waiting for an investment. Given this system, investments are allocated to the portfolio that has been waiting for an investment for the longest period of time. No preference is given to any client portfolio or pooled investment vehicle in the application of this rotational system.

Potential investments are allocated to new separate accounts based on the date that a fully executed copy of the investment management agreement between the client and American is received by American. Potential investments are allocated to newly-formed pooled investment vehicles sponsored by American based upon the date on which the vehicle commences operations.

For existing client portfolios or pooled investment vehicles, potential investments are allocated based on the date of their last allocation, or the date that the last investment was accepted or rejected for potential acquisition for that client portfolio or pooled investment vehicle, whichever is more recent. American maintains detailed records reflecting the basis for every allocation decision the firm makes. American will provide historical data on allocation decisions to clients whenever requested.

Part D – Trading

American does not invest in publicly traded securities on behalf of its clients other than Short-Term Investments. As a result, except potentially for Short-Term Investments, neither American nor any of its employees or affiliates could encounter a situation where American, or its employees or affiliates was considering an investment in the same securities that American had recommended to a client. Either American or its affiliates have co-invested in certain of the pooled investment vehicles sponsored by the firm in the manner specified in the governing documents of such vehicles. To the extent that any of American's employees elect to invest directly in interests in the open-end pooled investment vehicles sponsored by American, they would do so only on the same terms as any other investor. Thus, there would be no conflicts of interest created by such an investment.

Item 12: BROKERAGE PRACTICES

Part A.1 – Factors Considered in Selecting Broker-Dealers – Research and Other Soft-Dollar Benefits

American does not purchase publicly-traded securities (except for Short-Term Investments) on behalf of its clients. As a result, it does not contract with broker-dealers, except in connection with Short-Term Investments as described above, and does not receive soft-dollar benefits.

American generally engages a real estate broker in connection with the disposition or leasing of a real estate asset held on behalf of its clients. American selects the brokerage company and the particular real estate broker that American believes will best represent the interests of American's clients. Factors such as the qualifications of a marketing or leasing team proposed by the broker, the team's knowledge of the market in which the asset is located, the team's track record, the likely sales price on a disposition, fees, and the proposed marketing plan are considered in the selection of the broker. Generally, a minimum of three qualified brokerage companies are considered for any leasing engagement or sale transaction; however, under certain circumstances, there may be valid reasons to limit the review to fewer than three companies. The selection of the broker and the brokerage commissions to be paid on the disposition of real estate assets are approved by American's Investment Committee.

Part A.2 – Brokerage for Client Referrals

American does not recommend broker-dealers to its clients or utilize broker-dealers in connection with the real estate transactions in which it engages on behalf of its clients.

Part A.3 – Directed Brokerage

American does not recommend, request or require that a client direct American to execute transactions through a specified broker-dealer. Nor does American permit a client to direct brokerage. Broker-dealers are not utilized by American in connection with American's advisory business. Broker-dealers may, however, be used by investment advisors engaged to invest in Short-Term Investments.

Part B – Aggregation of Trades

Not applicable. Other than minimal investment of excess cash in Short-Term Investments, American does not purchase or sell publicly-traded securities for its client's accounts.

Item 13: REVIEW OF ACCOUNTS

Part A – Periodic Review of Client Account

American's portfolio managers are responsible for periodically reviewing each separate account and pooled investment vehicle in order to evaluate and confirm compliance with the terms of the investment guidelines and investment management agreements applicable to such accounts and pooled investment vehicles. This review generally occurs quarterly. This review may occur more frequently when significant investment decisions are made related to an account or a pooled investment vehicle.

Account responsibilities are allocated based on the complexity of each of the portfolios. As a result, American has not established a limit on the number of accounts or the maximum market value for which a portfolio manager may be responsible.

Real estate investments held by separate accounts and pooled investment vehicles are also reviewed by American's Investment Committee, or a subcommittee thereof, on a periodic basis. For example, the Investment Committee, or a subcommittee thereof, will receive an information briefing regarding the business plan and the budget for each asset and portfolio at least on an annual basis. The financial statements of certain of the firm's separate accounts and each of the firm's pooled investment vehicles are reviewed on an annual basis by independent certified public accountants. Furthermore, real estate investments are appraised by independent real estate appraisers on a periodic basis, at least as frequently as established by the investment guidelines applicable to the client or pooled investment vehicle.

American has established a disciplined external and internal valuation and appraisal process focused on providing its clients with accurate valuations reflective of all current market and property factors. Each property held in the pooled investment vehicles is valued every quarter and is valued externally by an outside independent appraiser at least annually. With respect to separate account portfolios, the internal and external valuation frequency is dictated by the specific client's investment guidelines.

Part B – Special Client Account Reviews

In addition to the quarterly review of client accounts, American will review the condition of a particular client account when a significant investment decision is being made related to such account. For example, such a review will occur when a new real estate investment is being contemplated or an asset owned by the account is being sold. Such a review may also occur when it is time to renew or pay off any debt on an asset held by the account. Other significant events, such as a natural disaster that impacts the condition of the real estate asset, may also trigger such a review.

Part C – Client Reports

American's separate account clients receive written quarterly status and activity reports, including unaudited financial statements, and a calculation of income, appreciation and total return (gross and net of fees). In addition, American participates in face-to-face meetings with its clients as requested by such clients.

Investors in the pooled investment vehicles sponsored by American receive written quarterly status and investment activity reports, including unaudited financial statements, and a calculation of income, appreciation and total returns (gross and net of fees). In addition, such investors receive, on an annual basis, copies of the audited financial statements. American participates in face-to-face meetings with such investors upon receipt of a request to do so.

Item 14: CLIENT REFERRALS AND OTHER COMPENSATION**Part A – Economic Benefits Provided to American**

Certain third-party service providers engaged by American on behalf of its clients may elect to provide reasonable forms of entertainment, meals, and/or gifts to certain of American's employees. Given the potential for a conflict of interest to arise in the selection of a service provider as a result of the receipt of such meals and entertainment, American has adopted a Gifts, Gratuities and Entertainment Policy which requires American's personnel to provide written notice to American's Chief Compliance Officer of any form of entertainment to which they are invited by a service provider (or potential service provider) if they intend to accept the invitation. The Gifts, Gratuities and Entertainment Policy further requires that business entertainment (including meals) involving American's personnel not be of a character or cost that would prevent the employee being entertained from making an independent business decision with regard to the services offered by the business sponsoring the entertainment, or that is not in accordance with generally accepted standards of business ethics in the institutional real estate management industry. Under the Gifts, Gratuities and Entertainment Policy, employees of American are limited to receipt of gifts and entertainment from any service provider (or from multiple employees of such service provider) in a calendar year having a value of less than \$250 per service provider. In addition, the aggregate value of any gifts or entertainment received by all of American's employees in any calendar year from any one service provider is limited to less than \$1,000. In practice, vendors are generally discouraged from providing gifts or entertainment to American's employees.

Part B – Compensation of Others for Referrals

American does not currently have any relationship with any third-party firm or individual who is not an employee of American for the purpose of marketing the firm or any of its products. Neither American, its shareholder, nor any of its employees, officers, or directors directly or indirectly compensate any person who is not an employee of American for new client referrals.

Item 15: CUSTODY

American has custody of client funds, such as the funds related to the operations of the real estate under American's management. American has discretionary authority to establish bank accounts on behalf of its clients in which to deposit funds received from clients or tenants at the real estate under American's management. With the exception of the investors in the pooled investment vehicles managed by American, who receive audited annual financial statements from third-party auditors engaged by the pooled investment vehicles, clients receive account statements on a monthly basis directly from the qualified custodian bank holding such funds. Clients are encouraged to review carefully the account statements received from these custodian banks.

Item 16: INVESTMENT DISCRETION

The terms of the investment management agreements entered into between American and its separate account clients and the pooled investment vehicles typically grant American full discretion to make investments on behalf of the account subject to investment guidelines that may be established by the clients and incorporated in the agreement. As a result, subject to such guidelines and established limits, American may determine what assets to purchase, when to sell the assets and how to manage the asset. American's management discretion includes the ability to make decisions related to capital improvements and leverage on the assets.

In certain instances, American has contracted with a bank or an independent registered investment adviser to invest client funds in Short-Term Investments. Each such agreement grants the bank or advisor discretionary authority over such investments subject to investment guidelines established by American. In other instances, American has placed funds directly in Short-Term Investments. Such Short-Term Investments are made pending investment of such funds in real estate or distribution to clients.

American retains discretion with regard to the selection of the Short-Term Investments to be bought and sold, and with regard to their amounts, within the framework described above.

In selecting firms to engage and grant discretion for purposes of the investment of client funds in Short-Term Investments, American considers a firm's experience and financial condition. In determining the reasonableness of their fees, American considers the quality of their services and the level of fees of similarly qualified competing firms.

Item 17: VOTING CLIENT SECURITIES

Part A – Authority to Vote Client Securities

American does not have authority to vote client securities, as noted in Part B below.

Part B – Lack of Authority to Vote Client Securities

American does not invest in publicly-traded securities on behalf of its clients, except for certain Short-Term Investments that are cash equivalents with no voting rights. American may, on occasion, acquire certain privately-traded securities when it acquires the shares or membership interests in an entity formed to hold title to real estate, rather than making a direct investment in real estate on behalf of its clients. However, such entities are generally wholly owned by American's clients or the pooled investment vehicle managed by American and American has discretion to vote such securities. Since American does not hold any publicly-traded securities which possess voting rights on behalf of its clients, American does not have, and will not accept, authority to vote proxies related to securities held on behalf of its clients. Thus, it has not been necessary for American to establish policies related to delivery of proxies and other solicitation materials related to securities.

Item 18: FINANCIAL INFORMATION

Part A – Prepayment of Fees

In general, American does not require that its clients prepay the fees due to American. Certain clients that have engaged American for a short-term consulting services assignment may be obligated to pay a portion of the engagement fee upon execution of the consulting services agreement with the remainder due at pre-determined stages during the completion of the assignment. With the exception of such engagements, American does not expect to require the prepayment of its fees at any time in the future.

Part B – Financial Condition

In most instances, American has discretionary authority over client funds. American is not currently aware of any financial condition that may impact American that is reasonably likely to impair American's continued ability to meet its contractual commitments to its clients.

Part C – Bankruptcy

American has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

American is registered with the SEC and is not required to be registered at the State level.