

Form ADV Part 2A: Firm Brochure

Townsend Holdings LLC

d/b/a

The Townsend Group

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This brochure provides information about the qualifications and business practices of Townsend Holdings LLC (“Townsend”). If you have any questions, about the contents of this brochure, please contact us at 216-781-9090 or compliance@townsendgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. While Townsend is a registered investment adviser, registration does not imply a certain level of skill or training.

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

Item 2 – Material Changes

This brochure dated March 31, 2014, replaces the previous brochure dated April 1, 2013. While there are no material changes from the last annual update that has previously been provided, Townsend will provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge.

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Item 4 – Advisory Business

Who we are: Townsend Holdings LLC (“Townsend”) is owned jointly by Aligned Asset Managers, LLC (“Aligned”) and Sinclair Group, Inc. (formerly known as the Townsend Group, Inc.). Sinclair Group was founded in 1983 by Terry Ahern and Kevin Lynch, both of whom continue as owners today. The direct principal owners of Townsend are The Townsend Group, Inc. (now known as Sinclair Group, Inc.) and Townsend Acquisition LLC, a wholly owned subsidiary of Aligned.

As the successor to The Townsend Group, Townsend is actively engaged in providing real estate investment management services to its discretionary clients, which includes directing, on its clients’ behalf, the investment of client assets. Townsend also provides investment advice to its non-discretionary clients, which allows clients to invest their own assets after studying Townsend’s recommendations or research.

What we do: Townsend specializes in providing continuous and regular supervisory or management services generally limited to real estate related investment products. Examples of such services include, but are not limited to, the following:

1. Assisting clients in developing investment objectives, strategic and investment plans and investment guidelines and restrictions.
2. Assisting clients in implementing their strategic and investment plans by delivering investment recommendations and research (in the case of non-discretionary clients) and by selecting and directing investments (in the case of discretionary clients), in both instances Townsend may also offer advice and/or implement hedging strategies on behalf of such clients.
3. Working with clients to invest in pooled investment vehicles or creating a separate account mandate.
4. Assisting clients in the selection of other investment advisers or third party service providers.
5. Negotiating with the managers of funds or separate accounts to improve fee structures and other business terms for Townsend's clients.
6. Monitoring investment performance and delivering quarterly reports to clients related to (i) investment activity, (ii) investment performance, (iii) portfolio composition, (iv) diversification by property type and by location and (v) other measurements that are relevant to assessing performance and the composition of the client's real estate portfolio.
7. Meeting with clients periodically to discuss performance and strategy.
8. Performing incidental functions and providing other similar services.

The exact scope of services provided to each client varies depending upon the terms of Townsend's engagement by that client. Recommendations and investment decisions are based on analysis conducted by Townsend's investment professionals. Decisions are supported by analysis that Townsend conducts using its proprietary databases and other resources.

How we tailor these services to you: Many of Townsend's services are performed by Townsend's investment advisory and portfolio management staff, under the supervision of Townsend's Investment Committee, which is ultimately responsible for all client strategic planning and investment-related decisions. The Investment Committee is comprised of eight Principals of Townsend. Among the client matters reviewed by the Investment Committee are strategic plans, manager selection, pooled fund selection, direct investments and portfolio construction. Townsend typically works with the client in developing the client’s investment plan, which may include restrictions imposed by the client in certain securities or types of securities.

Townsend's Assets Under Management: Townsend provided services on behalf of regulatory assets under management of approximately \$11,167,757,177 consisting of \$9,020,072,292 in discretionary client assets and \$2,147,684,885 in non-discretionary client assets. The contractual arrangements with client accounts comprising the non-discretionary assets under management provide the client with the ability to opt out of or into particular transactions, or provides other ancillary control rights over investment decision-making, depending on the specific client agreement. In each case, should the client continue with the transaction, Townsend is responsible for effecting the purchase or sale. Because Townsend relies on third parties to provide asset valuations, some of these third parties may take more than 90 days after the quarter end to provide such valuations. As a result, the figure above has been calculated using December 31, 2013 figures where available, but also includes September 30, 2013 figures.

Item 5 – Fees and Compensation

Compensation and Fees: Fee arrangements are negotiated with individual clients and vary by type and amount depending on the scope of services provided by Townsend. Townsend's clients are generally required to be "qualified purchasers", within the meaning of the Investment Company Act of 1940, and qualified clients within the meaning of the Investment Advisers Act of 1940.

Clients may pay fees:

1. based on a percentage of assets committed to a client's real estate portfolio,
2. based on a percentage of the market value of the client's real estate portfolio,
3. in the form of a retainer,
4. based on a percentage of the net profits earned on the investments of such clients, or
5. on a one time basis for the performance of a special project.

In some cases, Townsend is compensated using a combination of the methods listed above. On rare occasions, Townsend may provide services to its clients for hourly charges.

How fees are paid: Fees are generally billed to clients quarterly in arrears. For certain funds managed by Townsend, Townsend (or an affiliate) deducts fees from the funds' assets on a quarterly basis in arrears. If clients were to pay fees in advance and Townsend's engagement were subsequently terminated, the client would be entitled to be reimbursed promptly for the unearned portion of any fees, but would remain responsible for fees and any reimbursable expenses incurred prior to termination, or as otherwise specified under the terms of the relevant contract.

Clients may be responsible for the reimbursement or direct payment of certain expenses such as travel or legal expenses incurred for the benefit of the client and brokerage / transaction charges (see Section 12 "Brokerage Practices"). Further, Townsend's fees are generally exclusive of fees charged by any third-party investment manager or property manager, or charges imposed by custodians, brokers or other third parties.

For certain funds managed by Townsend (or an affiliate), some investors may be charged directly, quarterly in arrears, an administrative fee if such investor's effective capital account is below a certain value. Such administrative fees may be paid from such investor's share of any distribution and does not reduce the investor's capital commitment in the applicable fund.

Townsend's employees, affiliates or affiliate's employees may receive compensation in connection with the distribution of funds managed by Townsend. While this incentive could create a conflict for such individuals to recommend these products over others, Townsend generally does not recommend such products to clients of Townsend. In the rare occasion Townsend's discretionary clients invest in such products, Townsend would not charge commissions or markups in addition to advisory fees.

Certain funds managed by Townsend (or an affiliate) may use third parties for introductory services who may receive a fee directly from the clients.

Termination of Services: Contracts between Townsend and its clients generally are terminable by either party without penalty upon 60 days notice or such other agreed upon notice period. If an incentive fee is involved, Townsend may retain the right to share in certain profits generated by its efforts, even after termination. If an engagement requires disproportionate work at the outset, a contract may require that total fees reach a pre-specified level to compensate Townsend for its efforts (which could require a payment on termination if the contract is terminated by the client before expiration of its initial term). In addition, some of Townsend's clients are pooled investment vehicles.

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

Performance Based Fees: Certain qualified clients pay Townsend fees based on a percentage of the net profits earned on the investments of such clients (i.e., performance-based fees). Townsend also accepts management fees from separate account clients and fund-of-funds clients which are based on a percentage of assets under management. Because of this fee to asset ratio, as the assets increase (or decrease) in value so does the management fee.

Side-By-Side Management: At certain times such performance-based fees could incentivize the adviser to give preference to a client paying performance fees over another that does not. Additionally, performance-based fee arrangements may create an incentive for Townsend to recommend investments which may be riskier or more speculative.

Controls to manage conflicts of interest: Townsend applies several protections to ensure that clients are treated equitably:

1. Investments that Townsend recommends generally constitute "limited offerings" under the Securities Act of 1933, as amended. As a result, Townsend's supervised persons generally do not qualify for such investments. While generally permitted, any such investment by a Townsend related person is subject to pre-approval under Townsend's Code of Ethics. Additionally, such transactions must be reported on required trading and holding reports in accordance with Townsend's Code of Ethics.

2. Townsend has established allocation procedures with the goal that clients are treated fairly and equitably on an overall basis and to prevent this potential conflict from materially influencing the allocation of investment opportunities among clients. In situations where Townsend is required to make an allocation decision, an investment is generally allocated on a pro rata basis after taking into consideration a number of factors as set out below. These factors include, but are not limited to: (i) the investment parameters of the client, including return objectives, size of the transaction, geographic location, property type, and risk tolerance; (ii) the ability of the client to (a) meet the transaction's timing requirements, including cash availability, and (b) remain flexible in the face of anticipated changes; (iii) specific restrictions of the party offering the opportunity (including restrictions on type or number of investors); (iv) other diversification requirements, such as whether the transaction is complementary to

the client's existing portfolio; and (v) contractual, regulatory or tax requirements or restrictions of Townsend, the client and the party offering the opportunity.

In the event Townsend's Investment Committee believes it is impracticable or undesirable to allocate an investment opportunity on a pro rata basis, it will allocate such opportunity via a rotational system. Clients will be reviewed to consider the aggregate dollar amount invested and the number and timing of transactions previously closed on behalf of each client. In each case, the ultimate allocation decision is formally approved by the Investment Committee, which may take into account additional considerations it deems appropriate to ensure fair and equitable allocation of investment opportunities.

If a co-investment opportunity is made available to Townsend (with Townsend being asked to identify a capital source), that opportunity is generally allocated to specific co-investment portfolios that Townsend has been engaged to construct in accordance with the terms of each engagement, which may include priority rights to particular types of co-investment opportunities.

Townsend may be instructed by a client to review a specific opportunity made available exclusively to it. Such investment opportunities are not subject to an allocation decision by Townsend.

3. Townsend maintains an Insider Trading Policy to help ensure compliance with applicable securities laws. In addition, Townsend maintains a Policy Regarding Conflicts of Interest and a Code of Ethics that: (i) reminds employees of Townsend's fiduciary duties, which include (among others) a duty of utmost good faith and undivided loyalty and an obligation to provide disinterested advice; (ii) reminds employees and other Townsend representatives of their obligations to Townsend's clients, (iii) memorializes and fosters Townsend's general standards of business conduct and requires compliance with both the letter and the spirit of the federal securities laws, (iv) provides guidance for dealing with certain potential conflicts of interest, (v) requires certain employees to report their personal securities transactions and holdings to Townsend's Chief Compliance Officer or his/her delegatee in accordance with the Investment Advisers Act of 1940, (vi) requires employees to report violations and (vii) imposes additional record keeping requirements.

Item 7 – Types of Clients

Townsend typically provides its investment services to:

- Domestic and foreign corporations and similar entities,
- State and municipal pension funds,
- [Sovereign wealth funds],
- Foundations,
- Trusts,
- Endowments,
- Privately offered fund-of-funds vehicles.

Investment Requirements: Townsend generally requires a \$50 million minimum account size for the acceptance of a separate account client, although exceptions may be made depending on the client and the investment strategy. Minimum portfolio size may also differ depending upon whether Townsend's engagement involves discretionary authority. Townsend's clients are generally required to be qualified purchasers, as defined in the Investment Company Act of 1940.

Many of the fund-of-funds managed by Townsend require investors to qualify as accredited investors, qualified clients and/or qualified purchasers. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one's spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with either (i) \$1,000,000 in assets under management with a particular registered investment adviser or (ii) a net worth of at least \$2,000,000 (excluding their primary residence). Qualified purchasers are generally individual investors or certain family-owned entities with over \$5,000,000 in investments or entities with over \$25,000,000 in investments.

This brochure is not an offer to invest in funds managed by Townsend.

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

Methods of Analysis: In formulating its investment advice, Townsend takes into account:

1. The merits of each manager's investment strategy in light of economic, market and industry conditions,
2. The cohesiveness and effectiveness of each manager's key team and the quality of its broader organization,
3. The terms and conditions of each investment, which drive a manager's incentives and directly impact investor returns, and
4. A manager's historical returns.

To facilitate its analysis, Townsend has developed a due diligence process through which it collects a variety of information about managers and the investments that they offer through a series of questionnaires and meetings, supplemented by additional due diligence on issues that are, or appear as though they may be, material.

Townsend has developed and maintains a database containing historical and projected performance information regarding hundreds of private equity real estate funds. Information is collected and processed through a proprietary system developed by Townsend. Townsend believes that its strong presence in the industry allows it to collect and maintain a uniquely robust set of data. Information is collected through questionnaires that are provided to managers on a regular basis and when new funds are being offered.

Townsend also collects and reviews a wide variety of materials provided by sources in the real estate industry and by other third parties. These include, among others, materials related to:

1. Economic conditions,
2. Political and market conditions in geographic markets and sub-markets throughout the world,
3. Industry trends,
4. Interest rates and other financing terms, and
5. Statistics related to the performance of different types of real estate assets in different markets (such as vacancy rates and absorption, cap rates, new construction rates, demographic data, etc.).

Townsend also may receive market views and research provided by research teams affiliated with managers in which Townsend may direct investments.

As with all investing, investing in the securities recommended by Townsend involves a risk of loss that clients should be prepared to bear.

Risks involved with our Methods of Analysis: Certain risks associated with an investment by any client we advise include, but are not limited to:

- *Investment Judgment and Market Risk:* The success of Townsend's investment programs depends, in large part, on correctly evaluating future price movements of potential investments. Townsend cannot guarantee that it will be able to accurately predict these price movements and that its investment programs will be successful.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to funds and other alternative investment vehicles have led to increased scrutiny and regulation over the fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.
- *Dependence on Key Personnel:* Successful management of client assets will often depend on the continued employment or availability, of certain key personnel at Townsend and the managers with which our clients invest. There is no assurance that such key personnel will remain or be able to carry on their current duties through the term of the clients investments.
- *Townsend Co-investment:* In many of its fund-of-fund vehicles Townsend (or an affiliate) acts as General Partner with its own interest and in some cases invests its own additional capital into the fund-of-fund vehicle. In these cases Townsend has its own investment interest to consider along with its clients.

Types of Securities: Most of Townsend's advice relates to privately-offered securities offered by partnerships that invest in real estate or real estate-related assets, such as debt instruments that are secured by real assets or operating companies (such as hotel chains) that rely heavily on real estate. Some funds that Townsend recommends use private REITs or other non-partnership vehicles for tax structuring purposes. Other clients and funds hedge currency or other instruments. Where appropriate in light of a particular client's investment strategy, Townsend may also recommend third-party managers who purchase and manage individual properties or REIT securities portfolios through separate account relationships. On occasion, Townsend also recommends co-investments or other direct investments when opportunities are presented by third-party managers or the client's mandate entails such services.

The types of investments described above, generally referred to as private equity real estate funds and other similar products ("RE Funds" or "funds") are subject to various risks, including but not limited to:

- *Private offerings:* An investment in a privately offered commingled fund can be highly illiquid, is speculative and not suitable for all investors. Investment in privately offered commingled funds is only intended for experienced and sophisticated investors that are willing to bear the high economic risks of the investment. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging or other speculative practices; lack of liquidity (in that there may be no secondary market for the security and none expected to develop); volatility of

returns; restrictions on transferring interests in the fund; potential lack of diversification and the resulting elevated risk; absence of information about valuations and pricing; complex tax structures and delays in tax reporting; and less regulation and higher fees than other types of investments including mutual funds.

- *Foreign Investments:* Townsend clients may invest in RE Funds or other products which invest in real estate assets outside the United States. With any investment in a foreign country, there exist certain risks typically not associated with investing in U.S. assets. Such risks include, among other things, fluctuation in currency exchange rates, trade balances and imbalances and related economic policies and the risk of adverse political or social developments, including nationalization, expropriation of assets, confiscatory taxation, economic or political instability or war.
- *Limited Operating History:* Although the investment professionals of Townsend have had experience investing in private equity real estate funds of the type being considered for its clients, newer fund products and real estate funds will have a limited operating history. There can be no assurance that the objectives of the fund will be achieved. It also should be noted that past performance is not a guarantee of future results.
- *Dependence on RE Funds:* The ability of any of Townsend's clients to achieve their stated investment objectives will be highly dependent on the performance of the underlying RE Funds. Fund investments will generally be passive in nature, and, therefore, Townsend will have limited or no ability to control the day-to-day operation, including investment and disposition decisions, of the underlying RE Funds.
- *Lack of Management Rights:* Clients and investors will have no opportunity to control the day-to-day operation of Townsend's funds-of-funds or the funds in which Townsend's clients invest, including investment and disposition decisions. Funds-of-funds managed by Townsend have no affiliation with any underlying RE Fund. Rather they are solely an investor in each typically without special rights or privileges. Investors will have no contractual relationship with, nor any direct legal rights with respect to, any underlying RE Fund in which a fund-of-funds managed by Townsend invests.
- *Risks of Real Estate Investments:* Clients will invest in RE Funds which in turn invest directly in real estate, as well as companies or other entities engaged in various real estate-related businesses. Certain RE Funds will be made in enhanced return funds and high return funds that invest in non-core real estate assets that entail higher risk. As a result, a client's investment in RE Funds are subject to various risks associated with real estate investing generally, including but not limited to:
 1. adverse changes in national or international economic conditions, including changes in interest rates;
 2. adverse local real estate market conditions;
 3. the financial condition of tenants, buyers and sellers of properties;
 4. the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection and occupational safety;
 5. the unavailability of mortgage funds that may render the sale of a property difficult;
 6. changes in real estate tax rates and other operating expenses;
 7. changes in demand for certain property types;

8. environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems as to which inadequate reserves had been established;
 9. uninsurable losses;
 10. quality of maintenance, insurance and management services;
 11. competition based on rental rates;
 12. acts of God and natural disasters; and
 13. other factors beyond the control of Townsend or the RE Funds.
- *Risks Associated with Commercial Mortgage Loan:* Townsend's clients may invest in real estate investments which in turn invest in commercial mortgage loans and other debt instruments. The value of such real estate investment's commercial mortgage loans will be influenced by changes in interest rates, the market demand for loans of certain terms and structures, and the historical rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include:
 1. economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, etc.),
 2. the terms and structure of the mortgage loans, and
 3. any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.
 - *Risks of Environmental Liabilities:* The investments made by the RE Funds in which Townsend's clients may invest may subject such RE Funds to various risks stemming from environmental regulations. Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances. The presence of hazardous substances, or the failure to remediate hazardous substances properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside funds using real estate as collateral. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to clean-up actions brought by federal, state and local agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. Should any of the properties in which a RE Fund invests become subject to an environmental liability, such investment will likely negatively impact the returns of the RE Fund and accordingly, the returns of the client.
 - *Uncertainty of Valuation:* Most RE Funds value their assets using a "fair market value" methodology dictated by their organizational documents, and the valuation methods used by various RE Funds will vary. The values of investments as determined under these methods do not necessarily reflect the price at which the investments could currently be sold in an arm's length transaction. Thus, measuring the performance of a RE Fund prior to the full realization of its portfolio involves substantial uncertainty. This can both limit the ability of a fund's investors to gauge the fund's ongoing performance, and the ability of Townsend to evaluate the past performance of the managers of prospective RE Funds.
 - *Illiquidity of the Investor's Investments in Funds:* A limited market exists for the securities in Townsend's clients will invest, and the transferability of such RE Fund interests generally will be

limited under the fund's governing documents and applicable law. Additionally withdrawals are either forbidden or subject to initial lock-out periods, specified times for requests and other limitations which may prevent an investor from effecting a realization on its investment when expected or desired. RE Funds may also be prevented from making redemptions when the RE Fund is insolvent or would be rendered insolvent if the redemption is made. In the case of closed-end RE Funds, the client generally will hold the fund until its liquidation since an earlier sale, if allowed, may often times be achieved only at a discount.

- *Hedging:* Futures, options, and/or other derivative contracts and/or instruments may be used provided that such investments or contracts are entered into in order to hedge actual or prospective investments, positions or exposures in currency holdings of the Client, including for hedging purposes of its interest rate and currency exchange exposure. The costs of hedging transactions will be an expense of the Client. It may not be possible to hedge against a currency movement at an attractive price, for example where such movement is widely anticipated. As a result of the Client's hedging policy, Townsend may, nevertheless, be required to enter into such transactions on behalf of the Client. These instruments may end up causing the Client to make a lower performance than in the absence of such instruments, in case the covered investment has eventually increased in value due to the covered risk. It may occur that the Client is obliged to unwind its derivatives position at a loss, whereas the underlying covered assets have not yet been disposed of, thus not generating yet the symmetrical gain. The Client may also be exposed to the risk of a counterparty defaulting under a derivative contract and therefore exposed to risk of losses in the event of the bankruptcy of a derivative counterparty. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investment or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk
- *Taxation:* Investors generally will be allocated a portion of the taxable income of a RE Fund in which it invests, regardless of whether it receives current distributions from such funds. If the distributions from a fund are insufficient, the investors could incur taxable income without a corresponding receipt of cash. Investors are often given the opportunity to elect to reinvest distributions made to them by the fund. A limited partner that so elects to reinvest will therefore not receive any cash to cover taxable income from the fund, unless such limited partner requests a redemption which is also subject to restrictions as discussed above.
- *Liability for Return of Certain Distributions:* Under the law of many states, investors will generally not incur personal liability for the liabilities and obligations of a fund in excess of their unfulfilled obligation to make capital contributions. However, in the event that a given fund is unable otherwise to meet its obligations, the investors in that fund may be required to repay to the fund or to pay to creditors of the fund distributions previously received by them to the extent such distributions are deemed to have been wrongfully paid to them (e.g., distributions paid while the fund was insolvent). In addition, the investors may be required to repay to the Fund any amounts distributed that are required to be withheld by the fund for tax purposes. Furthermore, the governing agreements often provide that participating investors may be required to return certain distributions. In the case of a Fund managed by Townsend, to the extent that the Fund is required to return to a RE Fund any distributions made by that RE Fund to the fund, each of the investors will be required to return a corresponding amount of distributions paid to the investors by the fund.

- *Absence of Recourse to the General Partner:* Governing documents often limit the circumstances under which a general partner, manager and their affiliates can be held liable to a RE Fund or a fund-of-funds. As a result, investors may have a more limited right of action in certain cases than they would otherwise have in the absence of this provision.
- *Possibility of Future Terrorist Activity:* The terrorist attacks of September 11, 2001 disrupted the global financial and insurance markets and negatively impacted the global economy in general, increasing many of the risks noted herein. The investments of the RE Funds or the areas in which they are located could be subject to 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. or non-U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of the RE Fund's investments. It is not possible to predict the severity of the effect that such future events would have on the financial and insurance markets and economy or the RE Funds' properties. These events may have a negative effect on the business and performance results of one or more of the RE Funds' investments or subsequently acquired investments, including increased insurance premiums and deductibles and limiting available insurance coverage for the RE Fund's investments.
- *Insurance May Not Cover All Losses:* Uninsured and underinsured losses could harm the fund-of-funds' or RE Funds' financial condition, results of operations and ability to make distributions to its investors. Various types of catastrophic losses, such as losses due to wars, riots, nuclear reaction, terrorist acts, earthquakes, floods, hurricanes, pollution or environmental matters, generally are either uninsurable or not economically insurable or may be subject to insurance coverage limitations, such as large deductibles or co-payments. In the event of a catastrophic loss, the fund-of-fund's or RE Fund's insurance coverage may not be sufficient to cover the full current market value or replacement cost of its lost investment. Should an uninsured loss or a loss in excess of insured limits occur, a fund-of-fund or RE Fund could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. In that event, a fund-of-fund or RE Fund might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to the fund-of-fund's or RE Fund's ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans, and other factors might also keep the fund-of-fund or RE Fund from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds the fund-of-fund or RE Fund receives might be inadequate to restore the Fund's or RE Fund's economic position on the damaged or destroyed investment.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

Aligned Manager Services, LLC is a wholly owned subsidiary of Aligned Asset Managers, LLC, and is registered with the Financial Industry Regulatory Authority as a broker-dealer.

Townsend Group Europe Ltd. is a wholly owned subsidiary of Townsend, is based in London, and is registered with the Financial Conduct Authority as an investment adviser.

Affiliates of Townsend are the general partners of certain funds listed in response to Item 7(B) of Part 1 of its Form ADV.

Sinclair Group, Inc., an investment adviser registered with the Securities and Exchange Commission, beneficially owns a minority interest in Townsend.

Certain employees of Townsend are registered representatives of Aligned Manager Services, LLC

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

Code of Ethics: Townsend has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The Code of Ethics:

1. Reminds employees and other Townsend representatives of their fiduciary obligations to Townsend's clients,
2. Memorializes and fosters Townsend's general standards of business conduct and requires compliance with both the letter and the spirit of the federal securities laws,
3. Provides guidance for dealing with certain potential conflicts of interest,
4. Requires certain employees to report certain personal securities transactions and holdings to Townsend's Chief Compliance Officer or his/her delegatee in accordance with the Investment Advisers Act of 1940,
5. Requires employees to report violations, and
6. Imposes additional record keeping requirements.

A copy of Townsend's Code of Ethics is available to clients or prospective clients upon request.

Adviser Interest in Investment Products: Townsend may have the following interest in investment products which it may recommend to clients:

1. Townsend acts as investment manager for investment partnerships that are identified in Part I of its Form ADV. An affiliate of Townsend may also serve as the general partner of those limited partnerships. These limited partnerships often invest alongside Townsend's other clients. Therefore, some of Townsend's related persons, including those individuals who have an ownership interest in Townsend, indirectly buy or sell (through the limited partnerships that Townsend manages) securities that are recommended to clients. Depending on the type of investment being made and the particular needs of different clients, recommendations to clients may not always be made at the time that limited partnerships managed by Townsend acquire an interest.
2. Townsend directors, officers, employees and related persons may also directly invest in or alongside securities that are recommended to clients.
3. Townsend may waive certain fees in return for an interest in certain of its fund products.
4. Under certain circumstances Townsend may convert its general partnership interest to limited partnership interest in certain of its fund products.
5. An affiliate of Townsend may serve as the general partner of a fund-of-funds advised by Townsend and in which a client may invest.

Controls to manage conflicts of interest: Townsend applies several protections to ensure that clients are treated equitably:

1. Investments that Townsend recommends generally constitute "limited offerings" under the Securities Act of 1933, as amended. As a result, Townsend's supervised persons generally do not qualify for such investments. While generally permitted, any such investment by a Townsend related person is subject to pre-approval under Townsend's Code of Ethics. Additionally, such transactions must be reported on required trading and holding reports in accordance with Townsend's Code of Ethics.
2. Townsend has established allocation procedures with the goal that clients are treated fairly and equitably on an overall basis and to prevent this potential conflict from materially influencing the allocation of investment opportunities among clients. In situations where Townsend is required to make an allocation decision, an investment is generally allocated on a pro rata basis after taking into consideration a number of factors as set out below. These factors include, but are not limited to: (i) the investment parameters of the client, including return objectives, size of the transaction, geographic location, property type, and risk tolerance; (ii) the ability of the client to (a) meet the transaction's timing requirements, including cash availability, and (b) remain flexible in the face of anticipated changes; (iii) specific restrictions of the party offering the opportunity (including restrictions on type or number of investors); (iv) other diversification requirements, such as whether the transaction is complementary to the client's existing portfolio; and (v) contractual, regulatory or tax requirements or restrictions of Townsend, the client and the party offering the opportunity.

In the event Townsend's Investment Committee believes it is impracticable or undesirable to allocate an investment opportunity on a pro rata basis, it will allocate such opportunity via a rotational system. Clients will be reviewed to consider the aggregate dollar amount invested and the number and timing of transactions previously closed on behalf of each client. In each case, the ultimate allocation decision is formally approved by the Investment Committee, which may take into account additional considerations it deems appropriate to ensure fair and equitable allocation of investment opportunities.

If a co-investment opportunity is made available to Townsend (with Townsend being asked to identify a capital source), that opportunity is generally allocated to specific co-investment portfolios that Townsend has been engaged to construct in accordance with the terms of each engagement, which may include priority rights to particular types of co-investment opportunities.

Townsend may be instructed by a client to review a specific opportunity made available exclusively to it. Such investment opportunities are not subject to an allocation decision by Townsend.

3. Townsend maintains an Insider Trading Policy to help ensure compliance with applicable securities laws. In addition, Townsend maintains a Policy Regarding Conflicts of Interest and a Code of Ethics that: (i) reminds employees of Townsend's fiduciary duties, which include (among others) a duty of utmost good faith and undivided loyalty and an obligation to provide disinterested advice; (ii) reminds employees and other Townsend representatives of their obligations to Townsend's clients, (iii) memorializes and fosters Townsend's general standards of business conduct and requires compliance with both the letter and the spirit of the federal securities laws, (iv) provides guidance for dealing with certain potential conflicts of interest, (v) requires certain employees to report their personal securities transactions and holdings to Townsend's Chief Compliance Officer or his/her delegate in accordance with the Investment Advisers Act of 1940, (vi) requires employees to report violations and (vii) imposes additional record keeping requirements.

While Townsend does not engage in practices generally considered “cross trading” and does not engage in trades of securities between itself (or a subsidiary) and its clients, on rare occasion Townsend may believe a transfer of interests between clients is advantageous for the clients involved and will facilitate a transfer if conditions are met. Townsend does not accept fees or commissions of any kind for arranging such transfers.

Item 12 – Brokerage Practices

Due to the fact that most of Townsend’s advice relates to privately offered securities in partnerships that invest in real estate or real estate related assets, Townsend generally does not arrange trades with any broker or dealer.

Occasionally Townsend may recommend the purchase of a secondary interest in a privately offered security being offered by a third party intermediary, or may utilize a third party intermediary to sell a secondary interest in a privately offered security on behalf of a Townsend client. In such cases, the relevant client may be required to pay a fee to the third party intermediary offering the interest on behalf of a seller or selling the interest on behalf of the client.

If it were necessary to engage a broker-dealer, Townsend may permit the client to direct the brokerage, in which case Townsend may be unable to achieve the most favorable execution of the client’s transaction. The result of this could be more costs and / or less favorable prices for the client.

Townsend is often aggregating the purchase and sale of securities for multiple client accounts. Townsend is in the position to better negotiate the pricing and obtain efficiencies on a privately offered security when client’s trades are aggregated.

Item 13 – Review of Accounts

Review of Reports: Townsend conducts a review of client accounts on a periodic basis. Each quarter, Townsend’s Investment Performance System (“TIPS”) generates a performance measurement flash report (“flash report”) that summarizes the following for most client accounts that receive investment management services:

1. Funding Status
2. Performance
3. Cash Flow Activity
4. Property type and location diversification
5. Other measurements that are relevant to assessing performance and composition of a client’s real asset portfolio

Performance data is collected at the individual investment level from the investment managers themselves. The performance data information is reviewed by Townsend’s performance measurement department, and analyst or associate assigned to the client team, and further reviewed by a senior investment staff member assigned to the client.

Client accounts are reported at the investment level, composite level and total client portfolio level within the flash reports. Preliminary flash reports are typically generated 60 days following the end of each quarter. Full flash reports and a performance review of the client account are typically generated 90 days

following the end of each quarter and then subsequently delivered to clients. Performance review of client accounts are conducted by at least one analyst or associate and at least one senior investment staff member, with the assistance of Townsend's performance measurement department. The results of these reviews are delivered to clients quarterly, with an annual review delivered after the end of the fourth quarter.

In addition to the quarterly reporting described above, any time a new investment decision is considered, Townsend conducts additional reviews to ensure that the proposed investment will meet the client's needs in light of (i) its strategy, (ii) applicable guidelines and restrictions and (iii) the composition of its existing portfolio. These reviews are performed by at least one investment professional that is responsible for the client, and are considered as part of any investment decision.

Finally, at least one senior investment staff member and at least one analyst or associate monitors each client's portfolio on a continuing basis including significant events (acquisitions, dispositions, financings, turnover of key manager personnel, etc.).

Reviews are conducted by at least one analyst and at least one senior investment advisory or portfolio management staff member, with the assistance of Townsend's performance measurement department and the oversight of the Investment Committee. The results of these reviews are delivered to clients quarterly, with an annual review delivered at the end of the fourth quarter.

Item 14 – Client Referrals and Other Compensation

On occasion Townsend may compensate individuals or firms for client referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. Such compensation generally occurs in three select instances:

Affiliates and Employees: Townsend may compensate its (or an affiliate's) employees or affiliates for client referrals. Where necessary these employees and affiliates will either be an associated person of a registered broker or will themselves register as a broker.

Third Party Firms: Townsend is a party to agreements for the furnishing of introductory services with a third-party firms who may introduce to Townsend certain potential investment advisory clients who would qualify as "qualified purchasers" as defined in the Investment Company Act of 1940 and "accredited investors" as defined in Regulation D under the Securities Act of 1933 and/or "qualified clients" as defined under the Investment Advisers Act of 1940.

Co-Managed or Separately Managed Feeder Funds: Certain feeder funds that invest in fund-of-funds managed by Townsend, may be managed by unaffiliated third parties who act as the general partner or manager of the feeder fund and who may receive a portion of the management fee and/or the incentive allocation. These feeder funds may also have agreements with unaffiliated third parties to introduce investors to the feeder funds.

Townsend may receive incidental benefits from third-party managers, including, but not limited to, free attendance at conferences or seminars sponsored by such managers, attendance at advisory board meetings, and related travel, hotel and/or meal accommodations. While the receipt of such incidental benefits may create a potential conflict of interest with respect to the selection of or allocation of assets to such manager, Townsend does not believe that the receipt of such incidental benefits creates a material

conflict of interest because it does not take into account such incidental benefits when selecting or allocating assets to managers.

Townsend also may receive market views and research provided by research teams affiliated with managers in which Townsend may direct or recommend investments.

Townsend's employees, affiliates or affiliate's employees may receive compensation in connection with the distribution of funds managed by Townsend. While this incentive could create a conflict for such individuals to recommend these products over others, Townsend generally does not recommend such products to clients of Townsend. In the rare occasion Townsend's discretionary clients invest in such products, Townsend would not charge commissions or markups in addition to advisory fees.

Item 15 – Custody

While it is Townsend's practice not to accept or maintain physical possession of any of our clients' assets, Townsend or an affiliate may be deemed to have custody of the assets of certain fund-of-funds clients under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. In accordance with Rule 206(4)-2 under the Advisers Act, audited financial statements are furnished annually to all investors in funds-of-funds managed by Townsend. Such investors may also receive quarterly unaudited reports or commentary regarding such fund. Clients are urged to carefully review all statements and contact Townsend if they have any questions.

As a client, you may receive account statements both from Townsend and directly from a bank or other qualified custodian. You should carefully review all of the statements you receive and compare those statements you receive from Townsend against those you receive from the bank or other qualified custodian. Comparing all statements will enable you to determine whether transactions involving your account, including the deduction of advisory fees, have been proper.

Item 16 – Investment Discretion

Townsend has the authority to determine the type and amount of securities to be bought or sold for its discretionary clients. In each case, Townsend's decision is required to be consistent with the client's investment strategy, investment plan, investment guidelines or other similar documents. Such authority may include restrictions with respect to specific types of securities as instructed by a client. For certain discretionary clients, implementation of such authority requires, in practice, the signature of the client or qualified custodian. Discretionary authority is typically set forth directly in a client's investment management agreement, which may include a limited power of attorney to invest client assets in a manner consistent with the client's investment strategy, investment plan, investment guidelines or other similar documents.

Item 17 – Voting Client Securities

Townsend generally invests in entities that do not issue proxy votes and therefore the firm does not often receive proxies and is not often called upon to vote proxies. On rare occasions, Townsend is required to vote securities held by its discretionary clients. On other occasions, Townsend may be designated as a client's Advisory Board Representative for a particular fund. In those circumstances, votes must be cast

in a manner that is reasonably determined to be in the best interests of the client that holds the securities or is represented by Townsend on the Board.

In general, the interests of Townsend's clients are aligned on any particular issue requiring a vote. However, conflicts may arise. For example, Townsend may have the opportunity to vote on whether to allow a fund to exceed a contractually negotiated limit on the amount of capital that the fund is permitted to raise. In that case, it may be in the interest of clients that have not yet invested in the fund to have the cap lifted, while it might be better for the clients already invested in the fund for the cap to remain intact. In such a case, Townsend is required to adhere to the general principle that votes must be cast for the benefit of the security holder and such votes must be approved by Townsend's Investment Committee.

Any discretionary client may, by submitting a request to its regular Townsend contact, receive a list of all votes (if any) cast by Townsend with respect to the client's securities. Any client may, by submitting a similar request, receive a copy of Townsend's proxy voting policies.

Item 18 – Financial Information

Not Applicable.

Item 19 – Requirements for State-Registered Advisers

Not Applicable.