



HCI INVESTMENT MANAGEMENT, LLC

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Form ADV Part 2A Brochure

This brochure provides information about the qualifications and business practices of HCI Investment Management, LLC (“HCIIM”). If you have any questions about the contents of this brochure, please contact us at (214) 978-8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

HCIIM is a registered “investment adviser” under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration under the Advisers Act does not imply a certain level of skill or training.

The date of this brochure is March 28, 2014.

Summary of Material Changes

The following material changes have been made to this Part 2A to Form ADV since the filing of the previous Part 2A as of March 22, 2013. Capitalized terms have the meanings set forth below.

1. Termination of Opco Formation Period. As provided in the Partnership Agreement of Akard Street Partners and described on page 2 below, the Opco formation period expired as of January 1, 2013.
2. Dissolution of W3 Opco. As of December 31, 2013, W3 Holding, L.P. (the “W3 Opco”) was dissolved. As part of the dissolution, all remaining assets of the W3 Opco were distributed to its partners. The Akard Street Fund received a distribution of (i) 100% of the limited partner interest in W3 Real Estate Fund, L.P. (the “W3 Fund”), which indirectly owns the only remaining W3 real estate asset (*i.e.*, the Marymoor office building in Redmond, Washington), and (ii) the 100% membership interest in W3 RE Fund GP, LLC, the general partner of the W3 Fund. The only investor in the W3 Fund is the Akard Street Fund.

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Advisory Business

Advisory Firm

HCIIM was established in 2012 to provide investment advisory and investment management services to private equity funds or other investment vehicles established by subsidiaries of Hunt Consolidated, Inc. (“Hunt Consolidated”). At the present time, HCIIM provides such services to a single real estate private equity fund, but it may in the future provide similar services to other clients.

HCIIM provides investment advisory and investment management services to Akard Street Partners, L.P., a close-end, real estate private equity fund (“Akard Street Partners”). Akard Street Partners was formed in 2009 to invest in operating companies (“Opcos”) whose business activities involve investing in, managing and disposing of commercial real estate assets or debt instruments or securities evidencing commercial real estate debt (“Opco Real Estate Assets”). Akard Street Partners, through its wholly owned subsidiaries, including Akard Street Investment Company, L.L.C. (“Akard Street Investments” and, together with Akard Street Partners and such other wholly owned subsidiaries, the “Akard Street Fund”), also invests on a side-by-side basis with Opcos in Opco Real Estate Assets. In the future, HCIIM may provide investment advisory or investment management services to persons or entities other than the Akard Street Fund (together with the Akard Street Fund, “clients”).

The business of the Akard Street Fund is conducted by HRI Akard Street GP, L.L.C., which serves as the general partner of Akard Street Partners (the “General Partner”). HCIIM provides investment advice and advisory services relating to investment activities of the Akard Street Fund pursuant to an investment advisory agreement (the “ASF Advisory Agreement”) with the General Partner and Akard Street Partners. In providing such services, HCIIM is able to leverage the reputation and experience of Hunt Realty Investments, Inc., a direct wholly owned subsidiary of Hunt Consolidated (“Hunt Realty”). Hunt Realty has been active in a wide variety of commercial real estate and related real estate investment activities for over 30 years.

HCIIM is an indirect wholly owned subsidiary of Hunt Consolidated. Hunt Consolidated is owned indirectly by trusts for the benefit of members of the Hunt family. A trust for the benefit of Ray L. Hunt indirectly owns more than 25% of the outstanding equity interests in HCIIM.

Types of Advisory Services

HCIIM provides discretionary and non-discretionary investment advisory and investment management services to or for the benefit of the Akard Street Fund, as explained in more detail in the “Investment Discretion” section below. The investment objective of the Akard Street Fund has been to seek to achieve equity returns by making investments in Opcos, which are operating companies whose business activities involve investing in, managing and disposing of Opco Real Estate Assets, and in subsidiaries established by Opcos to acquire or otherwise invest in Opco Real Estate Assets (“Opco Asset Subsidiaries”). Historically, the Akard Street Fund has sought to establish relationships

with Opcos that invest in income-producing commercial real estate predominantly located in long-term, high-growth markets, including multi-family and industrial properties, office properties, certain specialty properties and retail properties. In addition, the Akard Street Fund has targeted Opcos that invest in high-yield real estate debt and structured finance opportunities, including distressed debt, mezzanine debt and B notes, rescue capital and recapitalizations and commercial mortgage-backed securities. As provided in the Partnership Agreement of Akard Street Partners (the “ASF Partnership Agreement”), the Opco formation period expired as of January 1, 2013, and the Akard Street Fund has not invested in new Opcos since such date and does not expect to invest in any additional Opcos.

The Akard Street Fund generally does not invest in publicly traded securities other than commercial mortgage-backed securities.

In its capacity as investment adviser, HCIIM has provided or provides investment advice and has made or makes recommendations to the General Partner for the benefit of the Akard Street Fund. In particular, HCIIM has provided or provides advice and has made or makes recommendations to the General Partner relating to each of the following:

- identifying, originating, analyzing and investigating opportunities to make investments in Opcos and Opco Real Estate Assets;
- structuring, implementing and carrying out investments;
- identifying and arranging sources of financing for investments;
- analyzing and investigating opportunities to sell, liquidate or otherwise dispose of investments; and
- structuring, implementing and carrying out sales, liquidations or other dispositions of investments.

HCIIM also has provided or provides investment management services to the General Partner for the benefit of the Akard Street Fund. These services include the following:

- obtaining information relating to investments in Opcos and Opco Real Estate Assets;
- overseeing the business activities of Opcos and monitoring the activities of Opco Asset Subsidiaries;
- evaluating requests that the Akard Street Fund vote or grant consent in favor of any matter in connection with the business of an Opco or Opco Asset Subsidiary;
- presenting information with respect to investments to the General Partner; and
- performing other customary investment management services requested by the General Partner.

Tailoring of Advisory Services

At the present time, because HCIIM's only client is the Akard Street Fund, it tailors its advisory services entirely to the individual needs of such client. Similarly, if HCIIM accepts additional clients in the future, it expects to tailor the investment advisory and investment management services to be provided to any such clients to their individual needs. For example, HCIIM expects that recommendations as to the making, holding or disposition of an investment will generally be made only to one client. HCIIM also expects that specific investments will typically not be shared among more than one client, except in limited circumstances.

The ASF Partnership Agreement gives the General Partner, which is an entity under common control with HCIIM, full authority to make all decisions relating to the creation, acquisition or management of Opcos, the acquisition of Opco Real Estate Assets and related matters, subject to certain limitations. Please see "Investment Discretion" below for a summary of certain of these limitations. Except for limitations provided for in the ASF Partnership Agreement, the investors in the Akard Street Fund generally do not have the right to approve or impose additional restrictions on investments made by the Akard Street Fund.

Wrap Fee Programs

HCIIM does not participate in wrap fee programs or offer such programs to its clients.

Assets under Management

As of December 31, 2013, HCIIM had a total of approximately \$228,850,720 in client assets under management (including capital committed to the Akard Street Fund by investors but not yet funded). Of these assets, HCIIM managed \$37,950,720 of capital committed to and investments made in the operating activities of the Opcos and the Akard Street Fund, and \$190,900,000 of capital committed to and investments made in Opco Real Estate Assets.

Fees and Compensation

General

HCIIM will deliver this brochure only to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. As a result, this brochure provides general information as to how HCIIM and certain of its affiliates are compensated for investment advisory and investment management services, but does not include a fee schedule.

Compensation of HCIIM

Reimbursement of Expenses. Under the term of the ASF Advisory Agreement, HCIIM is entitled to receive reimbursement of expenses in the same manner and to the same extent as the General Partner would be entitled to receive reimbursement of such expenses under the terms of the ASF Partnership Agreement if such expenses had been incurred directly by the General Partner. See “— Compensation of the General Partner — Reimbursement of Expenses” below.

Other. HCIIM is not entitled to receive a management fee under the ASF Advisory Agreement. In addition, HCIIM is not entitled to receive a share of the “carried interest” granted to the General Partner by the Akard Street Fund, as described below. See “— Compensation of the General Partner — Incentive Distributions” below.

Compensation of the General Partner

Reimbursement of Expenses. The ASF Partnership Agreement provides that the General Partner is entitled to reimbursement of certain expenses incurred by it or its affiliates in connection with the business of the Akard Street Fund. In particular, the General Partner is entitled to reimbursement of expenses in the following circumstances:

- ***Third Party Reimbursable Expenses.*** The General Partner is entitled to receive reimbursement of third-party, out-of-pocket costs and expenses reasonably incurred by it in connection with the performance of its duties to the Akard Street Fund. HCIIM is not required to obtain approval of the investors in the Akard Street Fund in order to authorize reimbursement of any such costs and expenses, although estimates of such costs and expenses are included in the annual business plan of the Akard Street Fund that is subject to investor approval.
- ***Internal Reimbursable Expenses.*** The General Partner is also entitled to receive reimbursement for an equitable allocation of (i) the salaries, bonuses and customary benefits for designated employees and personnel of the General Partner or its affiliates who perform services for the General Partner or the Akard Street Fund (based on the relative time spent on matters for the Akard Street Fund as opposed to other projects of affiliates of the General Partner) and (ii) the costs and expenses incurred by the General Partner or its affiliates in the conduct of its operations, including the costs of system, administrative, office, insurance, accounting and other overhead, in connection with the

performance of its duties to the Akard Street Fund. The General Partner is not required to obtain approval from the investors in the Akard Street Fund in order to authorize reimbursement of any such costs and expenses, unless such costs and expenses exceed pre-approved limits based upon or included in the annual business plan for the Akard Street Fund.

The Akard Street Fund is obligated to reimburse the General Partner for the foregoing costs and expenses promptly after they are incurred. As a practical matter, because the General Partner is responsible for the conduct of the business of the Akard Street Fund, the General Partner has discretion regarding the timing of reimbursement payments to the General Partner.

The General Partner causes the foregoing costs and expenses to be reimbursed by deducting them from the assets of the Akard Street Fund. In general, such costs and expenses may either be reimbursed from cash receipts derived from sources other than capital contributions or, if such cash receipts are insufficient, from the proceeds of capital contributions made by investors in the Akard Street Fund.

Management Fee. The ASF Partnership Agreement does not provide for the payment of a management fee to the General Partner.

Incentive Distributions. Under the terms of the ASF Partnership Agreement, the General Partner has a right to receive certain “carried interest” or incentive distributions from the Akard Street Fund (the “Incentive Distributions”) equal to a share of the profits distributed by the Akard Street Fund to its investors, after the recovery of capital and payment of a specified return thereon. Additional information regarding these Incentive Distributions is provided under “Performance-Based Fees and Side-by-Side Management” below.

Custodial and Brokerage Expenses. The General Partner is authorized to incur any other costs or expenses in furtherance of purposes of the Akard Street Fund, including custodial and brokerage expenses, so long as such costs or expenses are consistent with the applicable annual business plan of the Akard Street Fund. For information regarding the incurrence of brokerage expenses by the Akard Street Fund, see “Brokerage Practices” below.

Pre-Paid Fees

Neither HCIIM nor the General Partner is entitled to receive any fees in respect of services performed for the Akard Street Fund that are payable prior to the performance of the related services or incurrence of the relevant costs and expenses by HCIIM or the General Partner.

Commissions and Other Compensation for the Sale of Investment Products

Neither HCIIM nor any of its supervised persons receives any commissions or other compensation related to the sale of securities or other investment products to the Akard Street Fund.

Performance-Based Fees and Side-By-Side Management

Carried Interest

Under the ASF Partnership Agreement, the General Partner is entitled to receive Incentive Distributions from the Akard Street Fund equal to a share of the profits distributed by the Akard Street Fund to its investors, after the recovery of capital and payment of a specified return thereon. The payment of Incentive Distributions constitutes a performance-based fee. The General Partner of the Akard Street Fund is an affiliate of HCIIM.

Neither HCIIM nor any of its supervised persons have the right to share in any Incentive Distributions received by the General Partner from the Akard Street Fund.

The amount of the Incentive Distributions payable to the General Partner of the Akard Street Fund is generally not negotiable. Such amount was set by the General Partner of the Akard Street Fund at the time the Akard Street Fund was established based upon market conditions and discussions with prospective investors. HCIIM has not agreed to reduce the amount of the Incentive Distributions chargeable to any specific investor in the Akard Street Fund.

Conflicts of Interest

As described above, Incentive Distributions represent the right to receive a share of profits distributed by the Akard Street Fund to its investors, after the recovery of capital and payment of a specified return thereon. The fact that the General Partner is entitled to these Incentive Distributions may create an incentive for the General Partner of HCIIM (which is an affiliate of the General Partner) to cause the Akard Street Fund to make investments that are riskier or more speculative than would otherwise be the case.

At the present time, the only client of HCIIM is the Akard Street Fund. However, it is possible that HCIIM may in the future accept one or more additional clients. To the extent that HCIIM accepts additional clients in the future, it is possible that such clients may pay “carried interest” distributions and such distributions, if any, would differ from the amount of such distributions, if any, paid by other clients. The fact that HCIIM may receive “carried interest” distributions from some of its clients could create an incentive for HCIIM to favor such clients over clients who pay lesser or no “carried interest” distributions. If these circumstances arise in the future, HCIIM intends to implement appropriate safeguards to ensure that the interests of one client are not favored over another.

Types of Clients

At present, the only client of HCIIM is the Akard Street Fund. The Akard Street Fund is a close-end, real estate private equity fund. The investors in the Akard Street Fund consist of an affiliate of Hunt Consolidated and a public pension plan.

HCIIM has not established any account size or other minimum requirements for new clients.

Methods of Analysis, Investment Strategies and Risk of Loss

In advising the Akard Street Fund, HCIIM has sought or seeks to achieve equity returns for the benefit of the Akard Street Fund and its investors by (i) investing in or creating Opcos that will source, acquire and manage Opco Real Estate Assets and (ii) investing in Opco Real Estate Assets on a side-by-side basis with Opcos. ***There can be no assurance that the investment objectives of the Akard Street Fund or any other client of HCIIM will be realized or that investments made on its behalf will result in a return of capital or profits.***

HCIIM currently provides investment advisory and management services to only one client, the Akard Street Fund. Accordingly, the discussion below focuses exclusively on methods of analysis, investment strategies and risks associated with investments made by the Akard Street Fund.

Methods of Analysis and Investment Strategies

The methods of analysis and investment strategies that HCIIM employs on behalf of the Akard Street Fund include the following:

General Investment Strategy. The Akard Street Fund has invested or invests in and has created or creates Opcos that source, acquire and manage Opco Real Estate Assets to generate operating cash flow and profit for the benefit of the Opcos. In addition, the Akard Street Fund invests in Opco Real Estate Assets on a side-by-side basis with Opcos. As provided in the ASF Partnership Agreement, the Opco formation period expired as of January 1, 2013, and the Akard Street Fund has not invested in new Opcos since such date and does not expect to invest in any additional Opcos. The investment strategy described below represents the strategy followed by the Akard Street Fund during the Opco formation period and thereafter, except that no new Opcos are expected to be formed in the future.

Certain key elements of the investment strategy of HCIIM are as follows:

Operating Company Format. The Akard Street Fund invests only in or alongside Opcos. HCIIM believes that this investment format allows it to leverage the experience and expertise of operating company management in a number of separate real estate investment platforms. Each potential operator must have a demonstrated ability to execute its investment strategies, as a prior principal of a comparable platform or a prior executive of a real estate company active in the sectors and markets being considered for investment. For certain strategies, the operator will need to understand complex financial structures and be able to invest at different levels in the capital structure of real estate projects.

Market Focus. The Akard Street Fund seeks to establish relationships with Opcos which invest primarily in income-producing commercial real estate located predominantly in long-term, high-growth markets. The Akard Street Fund also seeks to invest with Opcos who have development expertise in certain sectors, such as multifamily housing.

Sector Focus. The strategy of the Akard Street Fund is to target Opcos that are active in the following sectors:

- Multifamily;
- Industrial;
- Office;
- Select specialty or niche strategies, including senior living, student housing and self-storage;
- Mezzanine Debt; and
- Retail.

Although the investments made by the Akard Street Fund could potentially be made in other sectors, the Akard Street Fund generally does not invest in certain sectors, including horizontal land development, brownfield redevelopment of industrial or other facilities or infrastructure investments.

Geographic Focus. HCIIM expects that at least 90% of the investments made by the Akard Street Fund will be made in Opco or Opco Real Estate Assets located in the United States. It is possible that a limited portion of investments made by the Akard Street Fund could be located in Canada or Mexico.

Key Elements of Investment Program. Some of the key elements of the Akard Street Fund's investment program are as follows:

Flexible Response to Market Conditions. The Akard Street Fund seeks to maintain flexibility to make investments that are well positioned to benefit from current or future market conditions. At the present time, the U.S. commercial real estate market is solidifying as stronger GDP growth and lower unemployment have gradually taken hold. HCIIM expects different markets and sectors will improve at a varying pace. At present, markets with high exposure to technology and energy lead the recovery, with multifamily and industrial showing the most significant expansion among the customary commercial real estate sectors. The U.S. housing market has experienced continued upward momentum and a sustainable positive shift in fundamentals, which HCIIM expects is likely to remain an important driver of economic expansion. The capital markets, both debt and equity, have become more actively engaged in real estate investment, and have expanded their interest in value-add and development strategies. HCIIM believes skilled operators with targeted execution in assets and markets with which they have considerable, on-the-ground experience are best suited to take advantage of the improving fundamentals.

Leveraging Reputation and Experience of Hunt Realty. Although the Akard Street Fund was established in 2009, its affiliate, Hunt Realty, has a strong reputation in the real estate industry and has the experience gained from investing through an operating partner model since 1991. To date, Hunt Realty has invested in 14 separate real estate operating companies and currently has a portfolio of 3 active companies, in each case excluding investments made by the Akard Street Fund. In addition, the senior investment personnel of Hunt Realty have, on average, more than 25 years of experience in the commercial real estate investment industry.

Alignment of Compensation Structures with Investment Objectives. As an affiliate of a well-capitalized private company active in a variety of industries, HCIIM understands the need to remain closely aligned with the interests and investment objectives of its clients.

HCIIM does not receive a management fee for its services, relying instead on expense reimbursement. The General Partner, an affiliate of HCIIM, is entitled to receive Incentive Distributions, which creates a strong incentive to realize substantial equity returns on investments. In addition, HCIIM seeks to ensure that the compensation structures employed by Opco management are appropriately aligned with the interests of the Akard Street Fund.

Streamlined Decision-Making Processes. Senior management of HCIIM has broad authority to act on investment opportunities in an expeditious manner. The relatively small size of the senior management team and its active involvement in daily operations allows for a relatively quick turnaround on investment decisions.

Access to Established Network of Sourcing Relationships. Through long-term relationships and the experience and resources of its affiliate, Hunt Realty, HCIIM is able to access a wide range of investment opportunities. These relationships and resources allow HCIIM to evaluate the opportunities available to it and gain an informed perspective in making investment selections.

Established Due Diligence Protocol. Over the past 20 years, Hunt Realty has developed and refined its due diligence process to address the financial, legal, asset-specific and key personnel risks inherent in the operating partner investment model. HCIIM benefits from this experience and strives to create structures that minimize the identified risks and provide for proper alignment of interests.

Flexible Financial Reporting. HCIIM and its affiliates have an experienced, internal financial and accounting reporting group supported by comprehensive data collection and accounting infrastructure. This allows for closer monitoring of Opco financial performance and greater responsiveness to customized reporting requests than it would otherwise have.

Developed Legal Documents. HCIIM's internal team has developed Opco partnership documents favorable to the Akard Street Fund, drawing upon interactions with prior and current operating partners. These documents can be easily modified to create the different Opcos in which the Akard Street Fund invests.

Continuous Evaluation of Exit Strategies. HCIIM continuously evaluates strategies and opportunities for the Akard Street Fund to exit existing investments. These strategies and opportunities include traditional asset and bulk portfolio sales, and may also include alternative transactions such as sale of the Akard Street Fund's entire Opco interest to a third party capital provider, initial public offerings of securities, mergers and other structured transactions. In addition, to generate enhanced returns and to reduce investment risk, HCIIM may seek to refinance investments through borrowings, refinancings or debt or equity offerings.

Risks

The investment activities of the Akard Street Fund involve a number of significant risks, including risks related to the investment strategies described above and the types of

investments made by the Akard Street Fund. ***In light of these risks, the possibility exists that the Akard Street Fund will experience a partial or total loss of capital invested in a particular investment, and the Akard Street Fund and its investors should be prepared to bear such loss.***

Adverse Conditions in Capital and Credit Market. The commercial real estate market is experiencing increased levels of new capital and debt investment attributable to the growth in the economy overall and a more favorable view of commercial real estate as an investment class, as compared to recent years. Nevertheless, as illustrated by the recent recession, real estate capital markets can be extremely volatile, and any future disarray in the credit markets, market dislocations, or the re-institution of more conservative credit requirements could adversely affect the performance of the Akard Street Fund. To the extent that some or all of these conditions occur and continue for any significant period of time, such conditions could (i) reduce the value of the investments of the Akard Street Fund, (ii) significantly limit or eliminate its ability to employ leverage in connection with its investment activities or (iii) reduce its ability to dispose of its investments in the ordinary course of business, any of which could have a material adverse effect on the Akard Street Fund.

Real Estate Investment Risks. The investments made by the Akard Street Fund are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to, changes in local market conditions, the financial condition of tenants, buyers and sellers of properties, changes in interest rates and the availability of financing, the burdens of ownership of real property, general and local economic conditions, fluctuations in occupancy rates, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations, changes in real property taxes, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks and war and other factors beyond the control of HCIIM. Adverse changes in some or all of these conditions could materially affect the investment returns of the Akard Street Fund.

Opco Management Team Risks. Opcos and the real estate assets in which they invest are overseen on a day-to-day basis by the management teams of Opcos, which operate independently of HCIIM and its affiliates. Furthermore, as a limited partner or non-managing member of each Opco, the Akard Street Fund does not control day-to-day decision-making of the Opco and must rely on the management team's ability to identify and invest in real estate assets consistent with the Opco's investment strategy. Although HCIIM exercises diligence in underwriting and recommending the management team for each Opco, there can be no assurance that such diligence will accurately predict the investment performance of the management team.

Absence of Suitable Investment Opportunities. The success of the Akard Street Fund depends in part on the availability and identification of suitable opportunities to invest in Opcos and real estate projects or assets. The availability of high quality real estate projects or assets of the type targeted by the Akard Street Fund may be largely dependent upon economic growth prospects in the markets and areas in which such projects are located. The business of identifying and structuring investments of the type targeted by the

Akard Street Fund involves a high degree of uncertainty. There can be no assurance that the Akard Street Fund will be able to identify and complete suitable investments that satisfy its investment objectives.

Substantial Competition for Investments. The Akard Street Fund faces substantial competition in identifying and acquiring investments in Opcos and real estate projects or assets from existing and new real estate investors with investment objectives similar to those of the Akard Street Fund. The Akard Street Fund also competes for investment opportunities with local investors, insurance companies, public and private pension funds and other institutional investors, and strategic industry acquirers. Many such entities have substantially greater financial resources than the Akard Street Fund.

Illiquid Investments. Interests in the Opcos and Opco Asset Subsidiaries in which the Akard Street Fund invests are generally not transferable. None of these interests are expected to be registered for public sale under federal or state securities laws. Such interests may not be resold or transferred except in compliance with transfer restrictions included in the applicable organizational documents. In general, such interests represent highly illiquid investments that must be held for an indefinite period of time.

Distressed Asset Risks. The Akard Street Fund seeks to invest in debt instruments or securities evidencing commercial real estate debt, which in some cases may be distressed, non-performing, under-performing, undercapitalized, subject to liquidity constraints or otherwise troubled. Although such investments may offer the opportunity to realize significant returns, they involve a substantial degree of risk, and there can be no assurance that there will be any return of capital. For example, nonperforming debt instruments may require workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of such loan. Moreover, the Akard Street Fund may find it necessary or desirable to foreclose on collateral securing one or more debt instruments purchased by it. 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 debt instrument, including without limitation, lender liability claims and defenses, even when such assertions may have no basis, 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.

Exit Risks. The feasibility and terms of any proposed exit strategy for the investments of the Akard Street Fund will depend on factors not within the control of HCIIM, including fluctuations in market conditions, the status of capital markets and political and economic conditions. Consequently, the precise timing of the disposition of an investment and the manner of disposition are impossible to predict, and no assurance can be given that such disposition can be achieved on terms favorable to the Akard Street Fund or its investors. In general, there is a significant risk that the Akard Street Fund will be unable to realize its investment objectives through the sale or other disposition of its investments at attractive prices within any given period of time, or will otherwise be unable to successfully implement exit strategies for its investments.

Stringent Environmental Regulation. Under federal, state and local laws and regulations relating to protection of the environment, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with any contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants, and the liability under such laws has often been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. In addition, the owner or operator of a site may be subject to claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. The Akard Street Fund could face substantial risk of loss from environmental claims based on environmental problems associated with its real estate investments.

Leveraged Investments. Some of the investments acquired by the Akard Street Fund may utilize a leveraged capital structure, in which case a third party would be entitled to cash flow generated by such investments prior to the time the Akard Street Fund receives a return of its investment. Although such leverage presents opportunities for increasing returns to the Akard Street Fund, it also involves a high degree of financial risk and has the potential of increasing exposure of the Akard Street Fund's investments to adverse economic factors such as rising interest rates, economic downturns, fluctuations in market conditions, deterioration in the assets underlying such investments or deterioration in the condition of an investment or its market. If an investment acquired by the Akard Street Fund is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Akard Street Fund's investment could be significantly reduced or even eliminated.

Disciplinary Information

Neither HCIIM nor any of its management persons has been involved in any legal or disciplinary events of the type identified under Item 9 of Part 2A of Form ADV or any other legal or disciplinary events that are material to the advisory business of HCIIM or to an evaluation of the integrity of the management of HCIIM.

Other Financial Industry Activities and Affiliations

Certain Regulated Entities

Neither HCIIM nor any of its management persons is registered or has a pending application to register as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.

Other Affiliations

W3 Partners, LLC, a subsidiary of an Opco known as W3 Holding, L.P., in which the Akard Street Fund has made an investment, registered in 2012 as an investment adviser under the Advisers Act. W3 Partners, LLC terminated its registration with the SEC in 2013 and, several months later, as of December 31, 2013, W3 Opco was dissolved. In connection with this dissolution, the Akard Street Fund received a distribution of (i) the limited partner interest in the W3 Fund and (ii) the 100% membership interest in W3 RE Fund GP, LLC, the general partner of the W3 Fund.

TriLyn Investment Management LLC, a subsidiary of an Opco known as TriLyn IM Holdings, L.P., in which the Akard Street Fund has made an investment, has registered as an investment adviser under the Advisers Act. The Akard Street Fund has an investment in TriLyn IM Holdings, L.P. and certain of its Opco Asset Subsidiaries, and exercises certain approval rights under the terms of its governing documents, although such approvals do not apply to investment advice provided by TriLyn Investment Management LLC.

There is no other relationship or arrangement between HCIIM or any of its management persons, on the one hand, and any affiliate or advisory affiliate of HCIIM who performs any of the functions listed in Item 10.C of Form ADV, Part 2A, on the other, that both (i) is material to HCIIM's advisory business or to the Akard Street Fund and (ii) creates a material conflict of interest with such client.

Recommendation of Other Investment Advisers

HCIIM has not recommended or selected other investment advisers to the Akard Street Fund for which it has received compensation directly or indirectly from such advisers.

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

Code of Ethics

General. HCIIM has adopted a Code of Ethics (the “Code of Ethics”) in order to establish the standard of conduct expected of all “supervised persons” of HCIIM in light of the duties of HCIIM to its clients.

The Code of Ethics generally applies to all supervised persons of HCIIM, including all members, officers, directors or employees of HCIIM and all partners, members, officers, directors, managers or employees of the General Partner or other persons who are involved in providing investment advisory or investment management services for the benefit of the Akard Street Fund and any other clients of HCIIM.

Set forth below is a summary of the principal elements of HCIIM’s Code of Ethics. A complete copy of the Code of Ethics is available to any client or prospective client of HCIIM upon request. Requests for copies of the Code of Ethics should be directed to the Chief Compliance Officer of HCIIM (the “CCO”) at the address or telephone number shown on the cover page of this brochure.

Standards of Conduct. HCIIM requires all of its supervised persons to act at all times in accordance with its fiduciary duty to its clients. As a result, supervised persons should place the interests of the Akard Street Fund before their own and act with honesty and integrity with respect to the Akard Street Fund and its investors. A supervised person should never take inappropriate advantage of his or her position for personal benefit. In addition, a supervised person should make full and fair disclosure of all material facts, particularly where HCIIM’s or a supervised person’s interests may conflict with those of the Akard Street Fund. Each supervised person should have a reasonable, independent basis for any investment advice provided to the Akard Street Fund.

All supervised persons are expected to be familiar and comply with the laws and regulations applicable to their day-to-day responsibilities, including applicable U.S. federal securities laws and regulations. If a supervised person has any question with respect to any such law or regulation, he or she should consult with the CCO.

Reporting Violations. If any supervised person becomes aware of any violation of the Code of Ethics, he or she must report such violation to the CCO (or to another member of the Compliance Committee established by HCIIM, if his or her concerns relate to the CCO).

Personal Securities Transactions. HCIIM has adopted a personal securities transactions policy that addresses personal trading by “access persons” of HCIIM in securities, including stocks, bonds, options, warrants, financial commodities, other derivative products and interests in privately placed offerings, limited partnerships and other entities.

For this purpose, “access persons” consist of all directors, officers and partners of HCIIM and all other supervised persons (i) who have access to non-public information

regarding the Akard Street Fund's investment or purchase or sale of securities or (ii) who are involved in making securities recommendations to the Akard Street Fund, or have access to such recommendations that are non-public.

The personal securities transactions policy of HCIIM requires that all access persons:

- obtain pre-clearance before directly or indirectly acquiring beneficial ownership of any security in (i) any U.S. initial public offering or (ii) any security sold in the United States in a private placement;
- comply with certain trading restrictions that generally prohibit the purchase or sale of (i) any security that the access person knows is being bought or sold for the Akard Street Fund, until the purchase or sale by the Akard Street Fund is completed or canceled, (ii) any security that the access person knows is under active consideration for purchase or sale by the Akard Street Fund or (iii) any security that appears on the restricted list maintained by HCIIM that is applicable to such access person; and
- submit to the CCO initial, quarterly, and annual reports disclosing personal securities holdings and transactions.

Investments in Client Securities

As currently in effect, the ASF Partnership Agreement does not impose any limitations on investments by affiliates of HCIIM in securities that are the same as or related to the securities acquired by the Akard Street Fund. To the extent that affiliates of HCIIM invest in any such securities, a conflict of interest may arise, in which case HCIIM would endeavor to resolve such conflict of interest in a manner deemed equitable to the extent possible under the prevailing facts and circumstances and in accordance with HCIIM's fiduciary duties to the Akard Street Fund. Prior to the date hereof, Hunt Realty (or affiliates of Hunt Realty) has, from time to time, invested in assets acquired by Opcos in which the Akard Street Fund invests. In all such instances, Hunt Realty's investments have been made on the same economic terms as the corresponding asset capital investments made by the Akard Street Fund in the assets, and Hunt Realty has remained a passive investor relative to Opcos' management of the assets.

Existing Investments in Operating Companies or Other Vehicles

Hunt Realty holds for its own account investments in certain operating companies and other vehicles that invest in real estate assets and projects in which the Akard Street Fund does not have a direct or indirect interest. Some of these investments were acquired prior to the establishment of the Akard Street Fund in 2009, but the applicable operating company or other vehicle continues to be actively involved in acquiring, managing, holding and disposing of real estate assets and projects. It is possible that certain of these operating companies or other vehicles may enter into transactions or agreements with an Opco or Opco Asset Subsidiary in which the Akard Street Fund has made an investment, including transactions and agreements involving the purchase and sale of real estate assets or projects

or interests therein. In the case of any such transactions or agreements, HCIIM will determine whether the applicable transaction or agreement constitutes a “principal transaction” and, if so, will comply with the applicable notice and consent requirements of Section 206(3) of the Advisers Act. In the case of a transaction or agreement that does not constitute a “principal transaction,” HCIIM intends to implement appropriate procedures to safeguard the interests of the Akard Street Fund. Such procedures may include, among other things, notifying the investors in the Akard Street Fund of its interest the operating company or other vehicle that is a party to such transaction or agreement and ensuring that negotiations with respect to such transaction or agreement are directed by members of management of the applicable Opco or Opco Asset Subsidiary who are not subject to a conflict of interest in connection therewith.

Brokerage Practices

The underlying investments made by the Akard Street Fund consist of investments in Opco and Opco Real Estate Assets. To the extent that these investments are securities within the meaning of the Advisers Act, they consist primarily of privately issued securities that are not of a class registered under the Securities Exchange Act of 1934, as amended, or listed on a national securities exchange. However, in some cases, it is possible that the Akard Street Fund could acquire publicly traded securities, including commercial mortgage-backed securities or securities acquired as a result of a merger, sale, disposition or other business combination involving an Opco.

Because of the nature of its investment activities, it is expected that HCIIM and its affiliates will utilize the services of broker-dealers only in connection with a small portion of the investment and disposition transactions they carry out on behalf of the Akard Street Fund. However, to the extent that the Akard Street Fund acquires publicly traded securities, HCIIM will arrange for the execution of securities brokerage transactions for the client's account through broker-dealers that HCIIM believes will provide the "best execution."

In attempting to provide "best execution," HCIIM will seek to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. Nevertheless, the use and selection of a broker-dealer by HCIIM will not be based solely upon whether the broker-dealer offers the lowest possible commissions and other expenses, but whether the transaction represents the best qualitative execution. HCIIM expects to determine the availability of best execution by a number of methods, including evaluating its own experience with various broker-dealers, conducting surveys and soliciting data from competing broker-dealers and reviewing data from third-party industry research sources.

Soft dollar arrangements exist when an investment manager directs a commission generated by a transaction toward a third party or an in-house party in exchange for services that are for the benefit of the client but are not client-directed. HCIIM currently does not direct any commissions to third parties in exchange for such services. No soft dollar arrangements may be entered into by HCIIM without the prior written approval of the CCO.

Review of Accounts

Investment Reviews

Decisions with respect to investments by or on behalf of the Akard Street Fund are made by the Investment Committee of HCIIM (the “Investment Committee”), with input from other members of the professional staff of HCIIM. At the present time, the members of the Investment Committee consist of Patricia Gibson, President of HCIIM, Elizabeth Smith, Senior Vice President of HCIIM, and Geoffrey Osborn, Senior Vice President and General Counsel of HCIIM.

The Investment Committee and other professional staff of HCIIM review all new investments proposed to be made by the Akard Street Fund. The acquisition of any new investment requires the prior approval by the Investment Committee. In addition, the Investment Committee and other professional staff of HCIIM conduct periodic reviews of all investments held by the Akard Street Fund to determine whether each investment should continue to be held or should be sold or otherwise disposed of by the Akard Street Fund. If the Investment Committee believes that an investment should be sold or otherwise disposed of, it evaluates and discusses the timing of and strategy for the sale or other disposition of such investment. A review of each investment held by the Akard Street Fund is conducted on a quarterly basis or more frequently if necessary to respond to significant changes in economic or market conditions.

Certain Reports

On a quarterly basis, the General Partner furnishes certain reports to investors in the Akard Street Fund, which include a balance sheet, an income statement and a statement of cash flows, a comparison of revenues and expenses with the approved annual business plan of the Akard Street Fund and a statement as to the amount of, and justification for, any reserves. Such reports are delivered to investors in the Akard Street Fund within 45 days after the end of each calendar quarter. The financial statements included in such reports are unaudited but are prepared in accordance with generally accepted accounting principles (“GAAP”).

On an annual basis, a general accounting and audit of the Akard Street Fund in accordance with GAAP is conducted by an accounting firm registered with the Public Company Accounting Oversight Board. The General Partner furnishes to investors in the Akard Street Fund financial statements consisting of a balance sheet, a statement of operations, statement of partners’ capital and statement of cash flows. Such financial statements are delivered to investors in the Akard Street Fund within 75 days after the end of each fiscal year.

Client Referrals and Other Compensation

Compensation for Investment Advice from Non-Clients

HCIIM does not receive economic benefits from non-clients for providing investment advice or other advisory services to the Akard Street Fund.

Compensation for Client Referrals

HCIIM and its related persons do not currently compensate any person who is not a supervised person of HCIIM for client referrals.

Custody

The General Partner, which is a related party of HCIIM, has the authority to manage and conduct the business of the Akard Street Fund and, in exercising such authority, may have the ability to obtain possession of funds and securities of the Akard Street Fund. Accordingly, the General Partner is deemed to have custody of the funds and securities of the Akard Street Fund and must comply with the custodial and other requirements of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”).

As required by the Custody Rule, the funds and securities of the Akard Street Fund (other than certain privately offered securities that are not in certificated form) are maintained with “qualified custodians.” HCIIM arranges for the qualified custodians holding funds or securities on behalf of the Akard Street Fund to deliver monthly account statements directly to the Akard Street Fund. Because the Akard Street Fund satisfies the audit exemption conditions specified in Rule 206(4)-2(b)(4), HCIIM does not arrange for qualified custodians to deliver these account statements directly to investors in the Akard Street Fund.

Investment Discretion

The General Partner of the Akard Street Fund is an affiliate of HCIIM, and all of the partners, officers and employees of the General Partner are supervised persons of HCIIM. In light of the authority granted to the General Partner under the ASF Partnership Agreement and to HCIIM under the ASF Advisory Agreement, HCIIM and the General Partner can be viewed as together exercising discretionary authority over certain investments made by the Akard Street Fund.

Under the terms of the ASF Partnership Agreement, the management and conduct of the business of the Akard Street Fund are carried out by the General Partner, which has the authority to manage, control, administer and operate the properties, business and affairs of the Akard Street Fund, including its investment activities. The ASF Partnership Agreement imposes certain basic investment guidelines and limitations on the General Partner's investment discretion. These guidelines and limitations include the following:

- *Types of Investments.* The purposes for which the Akard Street Fund was created include identifying, evaluating and investing in Opcos and investing in or otherwise dealing with Opco Asset Subsidiaries. In general, Opcos are expected to establish Opco Asset Subsidiaries that will invest in Opco Real Estate Assets, which consist of commercial real estate assets or debt instruments or securities evidencing commercial real estate debt.
- *Investment Time Periods.* The period during which the Akard Street Fund was permitted to make new investments in Opcos expired on January 1, 2013.
- *Investor Approval Requirements.* The General Partner is required to obtain the approval of the investors to take certain actions, including (i) creating or acquiring an interest in an Opco, (ii) amending the agreements governing an Opco and (iii) selling, encumbering or otherwise transferring any interest of the Akard Street Fund in an Opco.

In light of the foregoing provisions, HCIIM has discretionary authority with respect to investments made by the Akard Street Fund in Opco Real Estate Assets. However, because the acquisition and disposition of interests in Opcos requires approval of the investors in the Akard Street Fund, HCIIM does not have discretionary authority with respect to investments made in the Opcos themselves.

Voting Client Securities

HCIIM exercises voting authority with respect to securities held by the Akard Street Fund, including partnership interests, limited liability company interests and other voting securities of Opcos and Opco Asset Subsidiaries. These securities in many cases consist of privately issued uncertificated securities, but could in certain cases also include securities of publicly traded companies.

HCIIM has adopted a policy that defines the procedures to be followed by HCIIM when it has discretionary authority to vote securities held by the Akard Street Fund. The purpose of this policy is to ensure that such securities are voted for the benefit of and in the best interests of the Akard Street Fund. Each proxy proposal received by HCIIM will be thoroughly reviewed by HCIIM to ensure that such proxy is voted in the best interests of the Akard Street Fund.

HCIIM may occasionally be subject to material conflicts of interest in the voting of proxies due to business or personal relationships with persons having an interest in the outcome of certain votes. HCIIM or its supervised persons may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships.

If at any time HCIIM becomes aware of a material conflict of interest relating to a particular proxy proposal, HCIIM will handle the proposal by requiring the proposal to be reviewed by the CCO, who will determine how to vote the proxy in a manner consistent with the best interests of the Akard Street Fund.

The investors in the Akard Street Fund do not have the right to direct HCIIM to vote securities held by the Akard Street Fund in a certain manner.

HCIIM will provide a copy of its proxy voting policies and procedures to clients upon request. Clients may also request information on how portfolio securities held on their behalf were voted. Any such request may be made to the CCO at the telephone number or address shown on the cover page of this brochure.

Financial Information

This item is not applicable.

Requirements for State Registered Advisers

This item is not applicable.