

# **INVESTMENT ADVISOR BROCHURE**

## **HARRISON STREET ADVISORS, LLC**

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**This brochure provides information about the qualifications and business practices of Harrison Street Advisors, LLC, particularly for Harrison Street Core Property Fund, L.P. and its investors. If you have any questions about the contents of this brochure, please contact us through Tonia Nelson, Chief Compliance Officer at 312-920-0500; or [tnelson@harrisonst.com](mailto:tnelson@harrisonst.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.**

**Additional information about Harrison Street Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Harrison Street Advisors, LLC is an SEC registered investment adviser. This registration does not imply a specific level of expertise, skill or training. This registration does not imply a recommendation by the United States Securities and Exchange Commission or by any state securities authority.**

**This Cover Page constitutes Item 1 to the Harrison Street Advisors, LLC Brochure, Form ADV, Part 2A.**

## **Item 2 - Material Changes**

The brochure is being revised to update the information presented in the previously filed and used brochure.

### **Item 3 - TABLE OF CONTENTS**

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## **Item 4 - Advisory Business**

### **Background and Ownership**

Harrison Street Advisors, LLC, a Delaware limited liability company (“Harrison Street Advisors,” “HSTA,” “we,” “us,” “our”), formed in May, 2011, provides investment management services to Harrison Street Core Property Fund, L.P. (the “Core Fund”) and any investment vehicles parallel or alternative to the Core Fund (“Parallel Vehicles”).<sup>1</sup> The Core Fund is an open-end, commingled investment fund which targets what we believe to be stabilized investments in education, seniors housing, healthcare, storage real properties, life science buildings, and other real property-related investments. An affiliate of Harrison Street Advisors serves as the general partner (the “General Partner”) of the Core Fund. The Core Fund was formed in the fall of 2011.

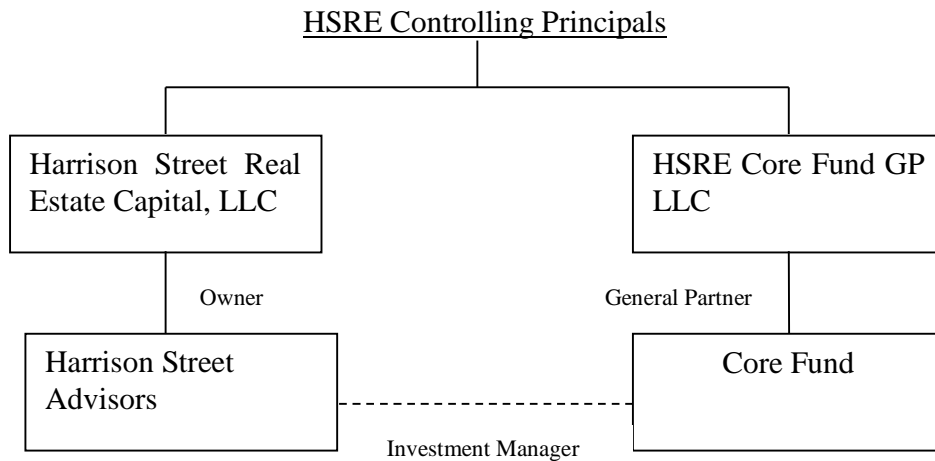
The sole owner of Harrison Street Advisors is Harrison Street Real Estate Capital, LLC, a Delaware limited liability company (“HSRE”). The controlling owners of HSRE are Christopher Merrill and Christopher Galvin. Messrs. Galvin and Merrill along with Michael Galvin (together the “HSRE Controlling Principals”) are the members of the Board of Managers of HSRE. HSRE was formed in 2005 and is the sponsor of six private closed-end real estate investment funds, the Core Fund, and Harrison Street European Property Partners, L.P. and its parallel and alternative investment vehicles (the “European Fund”) and a joint venture which invests solely in commercial real estate classes that are not in the education, seniors housing, healthcare, storage and life science buildings sectors. The European Fund, formed in 2015, is a closed-end real estate fund that primarily targets investments in student housing and other education-related real estate investments in the United Kingdom and elsewhere in Europe. An affiliate of Harrison Street Advisors serves as the general partner of the European Fund.

HSRE has, as of December 31, 2015, in the aggregate, approximately \$8 billion of gross assets under management (utilizing a conversion rate of US\$1.11 to €1.00 to convert European Fund amounts to U.S. Dollars). The HSRE Controlling Principals are the indirect owners of the controlling interest in Harrison Street Securities, LLC, a registered investment adviser that is focused on the management of portfolios of publicly traded real estate-related securities of North American domiciled companies on behalf of institutional investors and, through a private equity fund, high net worth individuals.

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<sup>1</sup> Except as specifically indicated, all references in this Brochure to Core Fund include the Core Fund and all related Parallel Vehicles, one of which is Luxembourg-based and has additional directors and a local investment manager.

The controlling ownership and affiliation of Harrison Street Advisors to the Core Fund, in general, is depicted in the following chart:



HSTA provides asset management services to other real estate equity investment vehicles sponsored directly or indirectly by HSRE, including the European Fund.

### **Core Fund Investments**

The Core Fund targets investment opportunities in the education, healthcare and storage sectors of the commercial real property market focusing primarily on: (i) student housing, both on and off campus, and other education-related real estate investments; (ii) medical office buildings, and other healthcare related real estate investments; (iii) seniors housing, including, but not limited to independent living facilities, assisted living facilities and memory care facilities; (iv) self-storage, boat storage, and marinas and (v) life science buildings (collectively the “Primary Property Types”). The investment focus is on what we believe are stabilized, income-producing investments that provide a combination of current income and long-term growth and appreciation. Investments may be made by the Core Fund directly and indirectly, including, without limitation, through joint ventures with operating partners and other third parties. The Core Fund is authorized to purchase equity interests and debt instruments secured by mortgages on Primary Property Types of real estate but only if such purchase is with the intent to acquire the underlying properties. The geographic focus is throughout the United States.

The General Partner has created and may create, in its discretion, Parallel Vehicles (including an offshore investment vehicle and joint ventures with other investors) that will, for the most part, invest proportionately in investments of the Core Fund on substantially the same terms and conditions as the Core Fund. Harrison Street Advisors will provide investment management services to the Parallel Vehicles, if any. See footnote 1 above.

The Core Fund commenced its investing activities in November, 2011 following its receipt of \$100,000,000 of capital commitments (“Commitments”) from its initial limited partners. The Core Fund limited partners are referred to in this Brochure as “Investors”. At December 31, 2015, the Core Fund had \$2,339,441,000 of Commitments, of which \$1,834,741,000 had been

funded by Investors. The minimum Commitment for each Investor in the Core Fund is \$10 million, unless the General Partner accepts a lesser amount in its discretion.

Harrison Street Advisors has, as of December 31, 2015, a total of \$3,288,025,715 of Gross Asset Value (“GAV”) of Core Fund properties under management, and the Core fund had \$504,700,000 of uncalled Commitments.

### **Description of Advisory Services to Core Fund**

Harrison Street Advisors serves as investment manager to the Core Fund and as investment manager, investor advisor or asset manager to Parallel Vehicles as set forth in their respective investment management agreements. As investment manager we:

1. Identify and recommend investment opportunities;
2. Participate in monitoring and evaluating the Core Fund’s investments;
3. Make recommendations to the General Partner regarding the financing, refinancing and/or sale of investments;
4. Make recommendations to the General Partner regarding the short term investment of cash pending distribution or reinvestment in real properties; and
5. Providing asset management services with respect to Core Fund investments.

Investment advice is provided directly to the Core Fund and the Parallel Vehicles and not individually to the Core Funds’ Investors or any Parallel Vehicle’s Investors. HSTA has full discretionary authority with respect to investment decisions, and its advice with respect to the Core Fund is tailored according to the investment objectives, guidelines, restrictions, and requirements as set forth in the Private Placement Memorandum and Limited Partnership Agreement of the Core Fund and limited partnership agreements of its Parallel Vehicles.

The Core Fund and the Parallel Vehicles hold Primary Property Type investments through subsidiaries (“Subsidiary REITs”), that are real estate investment trusts for federal income tax purposes, all of the voting interests of which are held by the Core Fund and Parallel Vehicles. The voting interests in the Subsidiary REITs may be used from time to time to facilitate redemptions of limited partnership interests in the Core Fund and Parallel Vehicles.

Please refer to the Core Fund’s diversification restrictions discussed in Item 8 below.

### **Item 5 - Fees and Compensation**

Under our Investment Management Agreements with the Core Fund and Parallel Vehicles, we are entitled to compensation for our services in the form of an investment management fee (the “Management Fee”), payable quarterly in arrears. The Management Fee is determined on an Investor-by-Investor basis and is billed, and in the discretion of the Investor, either payable by the Investors directly or by withdrawal from their respective Core Fund (or Parallel Vehicle) capital accounts, in addition to funding their Commitments. The Private Placement

Memorandum of the Core Fund, as supplemented from time to time (the “PPM”), and the Core Fund Limited Partnership Agreement includes further details on fees and compensation and related matters.

The Management Fee is calculated with respect to each Core Fund Investor’s share of the Core Fund’s net asset value (“NAV”) at the end of the applicable calendar quarter. An Investor’s Management Fee rate is negotiable at the discretion of Harrison Street Advisors.

The Management Fee with respect to an Investor’s NAV is equal to the Investor’s portion of the Core Fund NAV multiplied by the applicable Management Fee rate as set forth in the table below:

<u>Investor’s NAV</u>	<u>Annual Management Fee Rate Applied to Investor’s NAV</u>
First \$25 million	1.15%
In excess of \$25 million to \$50 million	1.05%
In excess of \$50 million to \$75 million	0.95%
In excess of \$75 million to \$100 million	0.90%
In excess of \$100 million	0.85%

For example, if an Investor’s NAV as of the close of a calendar quarter in a year was equal to \$60 million, the Management Fee for such investor for such calendar quarter would be equal to \$161,250.00, computed as follows: (i) \$71,875.00 (i.e., \$25 million x 1.15% x 25%) for the first \$25 million of such Investor’s NAV; plus (ii) \$65,625.00 (i.e., \$25 million x 1.05% x 25%) for the next \$25 million of such Investor’s NAV; plus (iii) \$23,750.00 (i.e., \$10 million x 0.95% x 25%) for the remaining \$10 million of such Investor’s NAV.

HSTA may in certain situations, receive negotiated fees for providing asset management services to a co-investment joint venture of which the Core Fund is a member but does not pay separate fees.

### **Additional Fees and Expenses**

Harrison Street Advisors will bear its own costs of compensation of HSRE personnel that provide services to it and related overhead expenses, except as described below.

Core Fund Investors will bear indirectly as partnership expenses any costs and expenses allocated by Harrison Street Advisors or the General Partner to the Core Fund, which will be deducted directly from the Core Fund. Those costs and expenses will vary, but typically include charges for professional services such as legal, accounting and appraisal activities. Limited Partners in non-US based Parallel Vehicles may bear additional costs and expenses of local agents and custodians.

The Core Fund will incur expenses for maintenance of books and records, custody fees, audit expense, tax preparation expense, organizational expense, insurance expense, appraisal costs, and annual licensing and registration fees, and taxes. The Core Fund will pay costs and expenses

incurred in connection with board, advisory committee and Investor meetings. As the Core Fund anticipates borrowing, there will be interest expense and fees for credit primarily at the investment level but also at the partnership level. In addition, the Core Fund will incur legal expenses, third party advisors and consultants' expenses, and brokerage commissions (as discussed in item 12 below) in connection with the acquisition or disposition of investments and the handling of distressed investments, if any. The Core Fund also incurs the cost of conducting due diligence on all prospective investments including, without limitation, travel related costs and costs of investments not pursued to acquisition, as well as closing costs, for acquired investments. Property operating costs and capital expenditures are expected to be paid from Property revenues.

This list is not intended to be exhaustive and Investors in the Core Fund are encouraged to review the Limited Partnership Agreement for a more extensive description of the fees and expenses associated with an investment in the Core Fund including, among other items, any applicable redemption charge that may be assessed by the Core Fund. Neither Harrison Street Advisors nor any of its supervised persons (as defined in the Investment Advisers Act) accepts compensation for the sale of securities or other investment products.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Our Management Fee is based solely on the NAV of the Core Fund or Parallel Vehicle. Although our Management Fee will be affected by the performance of the assets under management, our Management Fee is not a performance fee, which is typically based on a fund achieving net gains over a stated rate of return.

### **Incentive Fee**

We may, in the future, charge a performance based fee that would be payable solely by new Investors in the Core Fund. Any such performance fee would be subject to Section 205(a)(1) of the Investment Advisers Act and structured in accordance with available exemptions thereunder including the exemption provided in SEC Rule 205-3.

Other private investment funds sponsored by HSRE that invest in similar asset classes as the Core Fund may have different investment advisory fees, which also can create the conflict that more attractive investment opportunities may be directed to affiliated private investment funds with greater investment advisory fees.

To mitigate the conflict outlined above, each of the private investment funds sponsored by HSRE has different investment guidelines and objectives than the Core Fund and is not expected to compete for the same investments. If a particular investment would be appropriate for the Core Fund and one or more HSRE-sponsored private real estate investment funds, the investment will be allocated in a manner that we determine in good faith to be fair and equitable. Our allocation will depend on our determination of all relevant factors such as investment objectives and cash availability. Harrison Street Advisors has adopted and implemented written compliance policies and procedures that are designed to address the above conflicts of interest. Further, as a fiduciary, Harrison Street Advisors recognizes its duties to act in good faith and with fairness in all of its dealings with the Core Fund.



## Item 7 - Types of Clients

Harrison Street Advisors provides portfolio management services to the Core Fund and its Parallel Vehicles. The Core Fund Investors include large public and corporate pension plans and trusts, endowments, foundations, and financial institutions, and may also include high net worth individuals. Investors are limited partners in the Core Fund. The Core Fund is generally subject to a minimum Commitment amount of \$10,000,000. In some instances, the minimum commitment to the Core Fund may be negotiated subject to the General Partner's discretion.

In addition to providing investment management services to the Core Fund, we provide asset management services to other real estate equity investment vehicles sponsored directly or indirectly by HSRE including the European Fund.

### Important Notice

This Brochure may be provided to prospective investors ("Investors") in the Core Fund or Parallel Vehicle, together with the Core Fund's private placement memorandum ("PPM"), organizational documents and other related documents ("Governing Documents"), in connection with Investor's consideration of an investment in the Core Fund or Parallel Vehicle. While this Brochure may include information about the Core Fund, it does not represent a complete discussion of the features, risks or conflicts associated with the Core Fund. More complete information about the Core Fund is included in the PPM and other Governing Documents.

**In no event should this Brochure be considered an offer of units in the Core Fund or be relied upon in determining whether to invest in the Core Fund. It is also not an offer of, or agreement to provide, advisory services directly to any Investor.** Rather, this Brochure is designed only to provide information about us to comply with regulatory requirements under the Investment Advisers Act of 1940. Information in this Brochure may differ from the information provided in the PPM. If there is any conflict between the information in this Brochure and similar information in the PPM, Investors should rely on the information in the PPM with respect to their investment in the Core Fund or Parallel Vehicle.

## Item 8 - Methods of Analysis and Investment Strategies and Risk of Loss

### Methods of Analysis and Investment Strategies

We target investment opportunities in the following Primary Property Types: (i) student housing, both on and off campus, and other education-related real estate investments; (ii) seniors housing, including, but not limited to, independent living facilities, assisted living facilities, and memory care facilities; (iii) medical office buildings and other healthcare-related real estate; (iv) storage properties including, but not limited to, self-storage, marinas, and boat storage facilities and (v) life science buildings. We are authorized to cause the Core Fund to make an investment in equity interests and debt instruments secured by mortgages on Primary Property

Types of real estate but only if the intent is to acquire the underlying properties. The investment focus will be on what we believe to be stabilized, income-producing investments that provide a combination of strong current income and long-term growth and appreciation. On a limited basis, the Core Fund may invest in certain development properties that, upon completion, are expected to be stabilized income-producing investments that may provide a combination of strong current income and long-term growth and appreciation. Recently, the Core Fund, directly and with parallel vehicles and other HSRE-sponsored funds, closed on the acquisition by merger of Campus Crest Communities, Inc., the owner of interests in numerous student housing properties across the United States. Through a thorough allocation process 43 of those properties, which we determined to be stabilized, income-producing properties, were acquired by the Core Fund and parallel vehicles. In addition, eight properties anticipated to be disposed of in a prompt and orderly fashion were allocated to the Core Fund. The balance of the acquired assets, which HSRE determined to be opportunistic properties, were allocated to another HSRE-sponsored fund. We may cause the Core Fund to participate in similar transactions to acquire Primary Property Types held in large portfolios.

The majority of the return from the Core Fund is expected to be realized from current operating income, with only a modest portion of the return to be derived from asset value appreciation.

Investments may be made by the Core Fund directly and indirectly, including, without limitation, through joint ventures with operating partners and other third parties.

The geographic focus of investments is throughout the United States.

Because the Core Fund is an open-end fund, it will, from time to time, have significant cash reserves. We will advise the Core Fund on the investment of its cash reserves in shares of money market funds.

We intend to primarily source potential Primary Property Type investments for the Core Fund via our industry relationships and our network of lenders, “mom & pop” owners, market contacts, existing operating partners and potential new operating partners. While the focus of the Core Fund is on building portfolios via single property or small to medium-sized portfolio investments ranging in size from \$30 to \$50 million in equity commitments, the Core Fund has, and may, in the future, acquire larger properties or portfolios. The Core Fund will generally seek out local or regional operators to manage and lease the Core Fund’s properties. In certain cases we will require or permit an operator to co-invest alongside the Core Fund for stronger alignment.

Traditional market-specific real estate analysis and comparisons to existing investments in targeted sectors is used to assess the risks and opportunities associated with assets targeted for investment by the Core Fund. A more macro approach is applied in evaluating the strengths and weaknesses of potential real estate strategies and prospective operators. Real estate investment risk associated with the Core Fund’s various investments are assessed through thorough market research, comparison to the performance of other assets held by affiliated private real estate funds, and financial modeling. This includes an assessment of a property’s underlying value. This assessment includes a critical review of an asset’s construction quality, the functionality of its design, the quality of its tenants, and its capital expenditure history and projected capital

needs. It involves, as well, gauging the demand for such properties in the submarket, the asset's competitive advantages or disadvantages in its submarket, and the submarket's position within the broader market. Current or planned construction activity is identified, both of competitive properties and of properties that may stimulate demand for the subject property. Additionally, a proprietary set of variables that we believe should be present in order for assets in the Primary Property Types to perform well are applied. For instance, when considering a student housing investment, we evaluate enrollment, location, penetration ratio, demographics, financial aid characteristics, commuter student presence, etc.

### **Assessing Operators and Joint Venture Partners**

We seek to form relationships with operators who possess considerable management and operating capabilities, along with a well-formulated and well-defined business strategy. We evaluate each prospective operator's management organization, performance in historical relationships with partners, and its lender relationships. In addition, we will seek operators who are highly regarded, have demonstrated expertise in a specific property type, and have experience in the specific investment strategy being pursued.

In assessing prospective operators, particularly operators who become partners, we use a model that we developed through years of joint venture investing. Specific items to be reviewed include the operator's: (i) capital structure and financial resources, (ii) strategic plan, and (iii) management organization (i.e., leasing and operating team).

To the extent that the Core Fund does not own 100% of the property, we endeavor to structure the joint ventures so that the Core Fund maintains control over major decisions (e.g. sale, refinance major leases and changes in property management). We intend to structure each joint venture to enable the Core Fund to sell 100% of the real estate or its interest in the joint venture at the appropriate time. We intend to clearly define the economic objectives of the Core Fund, its Investors and the operator in the manner in which decisions relating to the operation and exit of investments are made throughout the life of the investment. Careful attention is given to the value of any preferences or incentives that are part of the economic structure of rewards. Consideration of any enhancement to the Core Fund's return achieved through the use of leverage or investment structure is secondary, although these elements are critically evaluated for their impact on the Core Fund's overall targeted return.

### **Financing/Leverage**

The amount of leverage that may be placed on all of the Core Fund investments as a group will not exceed 40% of the gross value of its investments at the time of the borrowing unless the Core Fund's Advisory Committee approves a higher percentage. In addition, the Core Fund has a credit facility that may be used to make investments and pay expenses and property costs in lieu of or in advance of the funding of Investors' Commitments. Please note that the use of a credit facility is not included in the leverage test for the Core Fund with the exception of any principal balance that remains outstanding for more than 90 days.

## **Diversification**

As the Core Fund's NAV exceeds \$1 billion, the following restrictions shall apply (determined in each case as of the date of each investment unless waived by the holders of a majority of the limited partnership units of the Core Fund):

- Not more than 40% of the Core Fund's NAV shall be in any Primary Property Type;
- Not more than 20% of the Core Fund's NAV shall be in investments located in any single metropolitan statistical area ("MSA" and no more than 30% of the Fund's NAV will be in one designated MSA; and
- Not more than 15% of the Core Fund's NAV shall be made in any single investment.

## **Material Risks of Loss**

While Harrison Street Advisors seeks to understand the risks involved in investment decisions, no strategy is immune to risk. Investors in the Core Fund must understand that their capital is at risk of loss even though it primarily invests in individual real estate assets and core strategies that typically employ lower leverage, have more durable cash flows, and are in lower volatility markets.

In general, there can be no assurance that any strategy will achieve its investment objectives or that the Investors will receive any return on, or the return of, their invested capital. Investors and prospective investors should review all risks associated with a potential investment and be prepared to bear any loss. Investors and prospective investors in the Core Fund should review the detailed discussion of risks set forth in the PPM.

## **Risks Inherent in Real Estate Investments**

*General Risks.* The Core Fund is subject to risks common to the ownership of real estate, including: changes in general economic or local conditions, changes in tenant preferences that reduce the attractiveness of the Core Fund's properties to tenants; fluctuation in occupancy rates, operating expenses and rental schedules; costs associated with the need to periodically repair, renovate and re-lease space; withdrawal of tenants and difficulty of replacing tenants; tenant defaults; tenant bankruptcies; changes in supply or demand of competing properties in an area, such as an excess supply resulting from over-building; changes in interest rates, zoning and other governmental regulations and availability of mortgage funds that may render the sale of a property difficult or unattractive; increases in maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur as other circumstances such as market factors and competition cause a reduction in revenues from such properties; inflation; changes in tax laws and rates; and impositions by governmental authorities.

*Uncertain Economic Condition.* In recent years credit markets have tightened, property transaction volumes have slowed and real estate values have experienced significant downward pressures. These factors have made the valuation of real estate investments more difficult. Because there is significant uncertainty in the valuation of, and/or in the stability of the value of certain of the Core Fund's possible investments, the fair values of such investments as reflected

in the Core Fund's results of operations may not reflect the prices that the Fund would obtain if such investments were actually sold. There can be no assurance that we will be able to make real estate investments that will generate the returns the Core Fund is targeting. The Core Fund may also be required to hold illiquid investments for several years before any disposition can be effected.

*Valuation Risks.* We intend to cause each Core Fund property to be externally valued by an Appraisal Management Firm performing a "restricted"(limited information) appraisal in the three quarters immediately following its acquisition. During the calendar quarter that marks the one year anniversary of the date of acquisition, the property will be valued by a third party appraiser performing a self-contained (detailed) appraisal. In each subsequent year, the asset will be appraised in a similar fashion (i.e. for the quarter in which the anniversary of its original acquisition occurs, the Appraisal Management Firm shall select, schedule and supervise third party appraisers performing "self-contained" appraisals and, for all other quarters, the Appraisal Management Firm shall perform a "restricted" appraisal. The valuation of the Core Fund properties will factor into the NAV of an Investor's account which, in turn, is used to determine our Management Fees, the value of limited partnership interests for investment and redemption purposes. There can be no assurance that the valuation given to any property is indicative of the amount that an unaffiliated third party would be willing to pay for such property.

*Due Diligence and Analytic Risks.* There is generally limited publicly-available information about real properties, and we must therefore rely on our own due diligence and that of our affiliates. Should the pre-acquisition evaluation of the physical condition of a new investment fail to detect certain defects or necessary repairs, the total investment cost could be significantly higher than expected. Furthermore, should our estimates of the costs of improving, repositioning or redeveloping an acquired property prove too low, or its estimates of the time required to achieve occupancy prove too optimistic, the profitability of the investment may be adversely affected.

*Fixed and Variable Cost Risks.* Many costs associated with a real estate investment, such as debt service and real estate taxes, are not reduced even when a property is not fully occupied, or other circumstances cause a reduction in income from the investment. These fixed costs intensify the risk to the Core Fund of a tenant default or an unanticipated delay in achieving occupancy of a newly constructed or redeveloped property or re-letting a property upon lease expiration. Some costs associated with a real estate investment, such as maintenance and repairs, may be subject to cost increases beyond the control of the Core Fund. Variable rate debt in a time of rising interest rates could also result in unanticipated costs increases.

Interest rate hedging transactions entered into directly with counterparty is subject to the risk that the counterparty will fail to perform its obligations in accordance with the agreed terms and conditions of the transaction. A counterparty may become bankrupt or otherwise fail to perform its obligations due to financial difficulties resulting in significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding or no recovery in such circumstances.

*Leverage Risks.* The purchase price of each Core Fund investment is expected to be partially financed. The debt financing in respect of the Fund's portfolio will not exceed 40% of gross

value of all of the investments at the time of the borrowing unless the Core Fund's advisory committee approves a higher percentage. The degree of leverage could have important consequences to Investors, including limiting the ability of the Core Fund to obtain additional financing in the future for working capital, capital expenditures, acquisitions, or other general purposes and making the Core Fund more vulnerable to a downturn in business or the economy generally. The Core Fund entered into a credit facility in order to, among other things, acquire properties, pay expenses and property costs in lieu of or in advance of the funding of Investors' Commitments. Please note that the use of a credit facility secured by Investor Commitments will not be included in the leverage test for the Core Fund except for any principal balances that are outstanding for more than 90 days.

*Loan Default Risks.* The mortgage loan documents for the Core Fund's properties will generally contain customary covenants, such as requirements relating to the maintenance of the property securing the debt, restrictions on pledging and creating other liens on the property, restrictions on incurring additional indebtedness and restrictions on transactions with affiliates. Failure by the Core Fund to make timely payments of principal and interest on mortgage loans or to observe these loan covenants could result in the declaration of a default by the lender. The consequences of a declaration of default include foreclosure of the mortgage, resulting in loss of both the property and the income it produces, the incurrence of substantial legal costs, the imposition of a deficiency judgment if the foreclosure sale does not result in proceeds sufficient to satisfy the mortgage, and potential adverse tax consequences to the Investors. A default under one loan could result in default under other loans.

*Refinancing Risks.* Mortgage loans on the Core Fund's properties may be subject to relatively short maturities, which may require refinancing before the properties are disposed of. There is no assurance that replacement financing can be obtained or, if it is obtained, those interest rates and other terms would be as favorable as the original loan. Inability to refinance a loan on favorable terms may compel the Core Fund to attempt to dispose of the property or other properties on terms less favorable than might be obtained at a later date. The ability of the Core fund to refinance a loan can affect levels of cash available for redemptions of Units and purchase of new investments.

*Investment Policies and Strategies.* We may not meet the stated investment strategy and goals of the Core Fund, including cash distributions and overall return targets. The General Partner has the right to vary from its strategy and policies if it determines it is in the best interests of the Core Fund.

*Equity and Debt Instrument Investments.* We may cause the Core Fund to purchase equity interests or debt instruments secured by mortgages on Primary Property Type investments with a view towards acquiring the subject property. In the event that the Core Fund is not able to complete the desired property acquisition, it may need to liquidate its investment in the equity interests or debt instruments. There can be no assurance that it will be able to liquidate such investments in an orderly fashion or without incurring a loss.

*Joint Venture Risks.* Instead of making investments directly, the Core Fund may make investments through joint ventures or other entities. Such investments may involve risks not present in wholly-owned investments, including for example, the possibility that a partner of the

Core Fund might commit fraud, become bankrupt or may have economic or business interests or goals which are inconsistent with those of the Core Fund, or that such partner may be in a position to take action contrary to the instructions or the requests of the Core Fund or contrary to the Core Fund's policies or objectives or otherwise have certain rights with respect to the investments, which may limit the Core Fund's ability to protect its position and make decisions with respect to its investments. In addition, in certain circumstances, the Core Fund may rely upon the operating partner for operational expertise, which reliance may ultimately not be justified. Furthermore, if an operating partner defaults on its funding obligations, it may be difficult for the Core Fund to make up the shortfall from other sources. Any default by an operating partner could have an adverse effect on the Core Fund, its assets, and the interests of the Investors. In addition, the Core Fund may be liable for actions of its partners. While we will attempt to limit the liability of the Core Fund by reviewing qualifications and previous experience of operating partners, such action may not be sufficient to protect the Core Fund from liability or loss.

*Competition with Operating Partners.* Operating Partners may, subject to certain limitations, invest in properties that may compete with properties owned directly or indirectly by the Core Fund. The operating partners also may provide management and other services to other properties located within or near the market areas where the Core Fund's properties are located, and may at times face conflicts of interests because of the competition for tenants between the Core Fund's properties and the properties of such operating partners and/or their other clients. The operating partners and their affiliates may not favor the leasing of a Core Fund property over the leasing of other properties, one or more of which may be in close proximity to a Core Fund property.

*Tenant Default and Bankruptcy.* A tenant's default in performing its lease obligations, or the tenant's bankruptcy, could adversely affect cash flow from a real estate investment and cause the Core Fund to incur legal costs and other costs that would not likely be recouped. An early termination of a lease by a bankrupt tenant would result in unanticipated expenses to re-let the premises.

*Non-Renewal of Leases.* The Core Fund's real estate investments will be subject to the risk that, upon expiration, leases for space may not be renewed, the space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions, may be less favorable than current lease terms. In the event of any of these circumstances, cash flow from the Core Fund's real estate investments and, therefore, the value of an investment in the Core Fund could be adversely affected. These risks may be particularly acute for single-tenant properties.

*Investments in Debt Instruments.* Based upon the applicable state law (which laws may differ substantially from state to state), the Core Fund's investments in debt may be adversely affected by (i) the operation of state law with respect to the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents, (ii) lender liability with respect to the negotiation, administration, collection and/or foreclosure of mortgage loans, (iii) penalties for violations of state usury limitations and (iv) the impact of bankruptcy law.

*REIT Risks.* The Core Fund and the Parallel Vehicles hold Primary Property Type investments through subsidiaries (“Subsidiary REIT”) that are real estate investment trusts (“REIT”) for federal income tax purposes. The Core Fund may be limited in making and structuring its investments in order to maintain REIT status for its Subsidiary REITs.

*Investor Failure to Fund Commitments.* If an Investor fails to fund its Commitment obligations when due, the Core Fund’s ability to complete its investment program or otherwise to continue operations may be substantially impaired. A default by one or more Investors who have made Commitments could limit the Core Fund’s opportunities for investment diversification and reduce returns to the Core Fund.

*Illiquidity of Interests.* Investors should be aware of the long-term nature of an investment in the Core Fund. There is not now and may not ever be a public market for the units of limited partnership interests in the Core Fund (“Units”). Because the Units have not been registered under the Securities Act of 1933 (“Securities Act”) or under the securities laws of any state or non-United States jurisdiction, the Units are “restricted securities” and cannot be resold in the United States except as permitted under the Securities Act and applicable state securities laws, pursuant to registration thereunder or exemption from such registration. It is not presently contemplated that registration under the Securities Act or other securities laws will ever be effected. The Units may also not be sold or otherwise transferred without the consent of the General Partner and compliance with the Core Fund Limited Partnership Agreement. Accordingly, an Investor may not be able to liquidate its investment in the Core Fund in the event of an emergency or for any other reason, and its Units may not be acceptable as collateral for loans. Limitations on the transfer of the Units may also adversely affect the price that an Investor might be able to obtain for Units in a private sale.

*No Assurance of Liquidity to Permit Redemptions.* Although all Investors have the right to request redemption of their Units in the Core Fund after a lock-up period, the Core Fund (i) may not have sufficient available cash to fund the redemption of Units when redemptions are requested, or (ii) may exercise its discretion to not permit redemption of Units. There is no guarantee that cash will be available at any particular time to fund a particular redemption request, and the Core Fund is under no obligation to make such cash immediately available through the sale of assets, acceptance of new Investor Commitments, borrowings or otherwise. In addition, the Core Fund’s compliance with the United States federal income tax rules applicable to REITs may affect the Core Fund’s ability to satisfy a redemption request. Under the Core Fund’s redemption policy as set forth in its Limited Partnership Agreement, any redemptions will be made using available redemption proceeds (i) first, to satisfy any redemption requests from a prior quarter that were not satisfied in full on a pro rata basis in proportion to the total number of Units owned by the Investors who submitted redemption requests with respect to such earlier redemption date and (ii) secondly to fund redemption requests submitted by Investors for the current redemption date on a pro rata basis on the total number of Units owned by Investors seeking redemption.

*Cyber Security Risk.* With the increased use of technologies such as the Internet to conduct business, Harrison Street Advisors, the Core Fund and its properties are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and can lead to the misappropriation or corruption of



Fund, Investor and property related data. Cyber security failures or breaches by a third party service provider can cause disruptions and impact business operations and violations of applicable privacy and other laws. HSRE has taken and continues to take steps that it deems commercially reasonable to mitigate the risk of a cyber security failure or breach.

### **Risks Associated with Primary Property Types**

In addition to the general risks of investing in real estate, each of the Primary Property Types has specific risks.

*Generally.* While we believe that each of the Primary Property Types has attractive demographics and characteristics, such demographics and characteristics may change materially, which could materially and adversely affect the Core Fund's operating results.

*Student Housing.* Student housing properties face significant competition from university-owned student housing and from other private student housing communities located within close proximity to universities. Many students prefer on-campus housing because of the closer physical proximity to campus and the integration of on-campus facilities into the academic community. Universities can generally avoid real estate taxes and borrow funds at lower interest rates. Consequently, universities can often offer more convenient and/or less expensive student housing than private operators of student housing, which can adversely impact occupancy and rental rates. Finally, student housing properties usually require greater maintenance costs because of increased damage or wear and tear than would apply to other types of housing, and usually have a higher turnover rate than would apply to other types of multifamily properties, compounded by the fact that in some instances student leases are available for periods of less than 12 months. All these factors combine to produce heightened uncertainty with respect to predicting cash flows generated by student housing.

*Senior Housing.* The success of assisted-living and other seniors housing depends in large part on success in attracting elderly senior citizens with the ability to pay for the services they receive. While a portion of the fees payable by residents of seniors housing facilities may be reimbursed by government and private payors, many such facilities are substantially dependent on the ability of the residents and their families to pay directly. In addition, some payors, such as Medicare, limit the number of days for which payment will be made in some settings, such as skilled nursing facilities, and most payors limit the types of services for which payment will be made and/or the amount paid for each particular service. Finally, the healthcare industry in the U.S. is highly regulated by Federal, State, provincial and local licensing requirements, facility inspections, reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other laws, regulations and rules. The failure of an operator to comply with such laws, requirements and regulations could affect an operator's ability to operate the senior housing facilities that the Core Fund owns.

#### *Medical Office Buildings ("MOBs")*

*Competition for MOBs.* The Core Fund will compete with a significant number of other entities for acquisitions of MOBs and healthcare-related facilities. The competition for healthcare real estate properties may significantly increase the price for MOBs and healthcare-related facilities

or other real estate related assets the Core Fund seeks to acquire. In addition, potential acquisition targets may find the Core Fund's competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties, or may have a more compatible operating philosophy. In particular, large healthcare REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. This competition will result in increased demand for these assets and therefore increased prices paid for them. Because of an increased interest in single-property acquisitions among tax-motivated individual purchasers, the Core Fund may pay higher prices if it purchases single properties in comparison with portfolio acquisitions.

*Customization of MOB's.* MOB's are typically highly customized and may not be easily adapted to non-healthcare-related uses. A new or replacement operator or tenant may require different features in a property, depending on that operator's or tenant's particular operations. If a current operator or tenant is unable to pay rent and vacates a property, the Core Fund may incur substantial expenditures to modify a property before it is able to secure another operator or tenant. Also, if the property needs to be renovated to accommodate multiple operators or tenants, the Core Fund may incur substantial expenditures before it is able to re-lease the space. These expenditures or renovations may have a material adverse effect on the Core Fund's operations and the ability to make distributions to Investors.

*Healthcare Regulation.* The healthcare industry is heavily regulated by U.S. Federal, State and local governmental bodies. The Core Fund's tenants in healthcare assets generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs and relationships with physicians and other referral sources, and the privacy and security of individually identifiable health information. New laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could negatively affect the financial condition of the Core Fund's tenants. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted. In addition, certain of the Core Fund's MOB's and healthcare-related facilities and their tenants may require licenses or certificates of need to operate. Failure to obtain a license or certificate of need, or loss of a required license would prevent a facility from operating in the manner intended. These events could adversely affect the Core Fund's tenants' ability to make rent payments to the Core Fund, which may have a material adverse effect on the Core Fund's operations and the ability to make distributions to Investors.

*Storage.* The self-storage market contains low barriers to entry. Due to the short-term nature of self-storage leases, storage properties also may be subject to more volatility in terms of supply and demand than other types of properties. In addition, because of the construction utilized in connection with certain self-storage facilities, it might be difficult or costly to convert such a facility to an alternative use. Thus, the liquidation value of these properties may be substantially less than would otherwise be the case if the property were readily adaptable to other uses. Finally, it is difficult to assess the environmental risks posed by such facilities due to tenant privacy, anonymity and unsupervised access to such facilities. Therefore, such facilities may pose additional environmental risks that could adversely affect the value of the Core Fund's investments.

*Life Science Buildings.* Life science building tenants require significant outlays of funds for the research and development and clinical testing of their products and technologies and many of them have a history of recurring losses. The current economic environment has significantly impacted the ability of these companies to access the capital markets, including both equity financing and debt financing. If sources of funding are unavailable to support such development, a life science tenant's business may fail.

The research and development, clinical testing, manufacture and marketing of tenants' products may require federal, state and foreign regulatory approvals. The approval process is typically long, expensive and uncertain. One or all of their products may fail to obtain the required regulatory approvals on a timely basis or at all. If a product fails to receive the required approvals at any stage of development, it could significantly adversely affect the tenant's entire business.

Legislation to reform the U.S. healthcare system may include government intervention in product pricing and other changes that adversely affect reimbursement for life science tenants' marketable products. In addition, sales of such tenants' marketable products may be dependent on the availability and extent of reimbursement from government health administration authorities, private health insurers and other organizations. Changes in government regulations, price controls or third-party payors' reimbursement policies may reduce reimbursement for tenants' marketable products and adversely impact the tenants' businesses. Any of these events could adversely affect the Core Fund's tenants' ability to make rent payments to the Core Fund, which may have a material adverse effect on the Core Fund's operations and the ability to make distributions to Investors.

### **Conflicts of Interest**

An investment in the Core Fund involves a number of inherent or potential conflicts of interest, which prospective investors should carefully consider before subscribing for Units. Among other things, Investors should note that Harrison Street Advisors is an affiliate of the General Partner and it will receive Management Fees based on the NAV of the Core Fund which, in turn, will be affected by the performance of the Core Fund assets.

The Core Fund or an affiliate of the General Partner may make investments in operating partners or the operating companies of operating partners. In such event, the Core Fund or an affiliate will own an interest in an investment at the property level and the operating partner level, which may create conflicts of interest.

HSRE is the sponsor of six closed-end real estate funds investing in the same Primary Property Types in the United States and a separate account investing real estate other than the Primary Property Types. Officers and employees of HSRE have economic interests in HSRE-sponsored funds (other than the Core Fund) and in the separate account. While the investment objectives of the Core Fund differ from the other HSRE-sponsored funds and accounts (i.e., the Core Fund will not purchase vacant land or undertake a new development where we do not expect to stabilized income producing returns upon completion), and investment opportunities targeted by the Core Fund are not likely to overlap with investment opportunities targeted by the other HSRE-sponsored funds and accounts, investment opportunities may be sought by more than one

of the HSRE-sponsored funds and accounts if the funds on account are within the investment period. In this regard, Harrison Street Real Estate Partners V, L.P. and its parallel vehicles, Harrison Street Real Estate Partners VI, L.P. and its parallel vehicles, the European Fund and the HSRE-managed separate account are operating within their respective investment periods. Thus, conflicts of interest may arise in the allocation of investment opportunities between the Core Fund and any HSRE-sponsored fund or account that is operating within its investment period. However, as noted in Item 6 above, to mitigate the conflict, each of the private real estate investment funds sponsored by HSRE has different investment guidelines and objectives than the Core Fund, and none are expected to compete for the same investments. If a particular investment would be appropriate for the Core Fund and one or more HSRE sponsored funds, the investment will be allocated in a manner that we determine in good faith to be fair and equitable. Our allocation will depend on our determination of all relevant factors such as investment objectives and cash availability. Whether an investment is a core investment that will be allocated to the Core Fund will be determined by the HSRE investment committee, the members of which also serve as the Harrison Street Advisors' investment committee.

HSRE generally does not cause HSRE-sponsored funds to engage in any cross transactions. In the event that the Core Fund has an opportunity to purchase an investment from, or sell an investment to, another HSRE-sponsored fund, Harrison Street Advisors will first verify that the investment meets the investment strategy of the Core Fund and is in the best interests of the Core Fund. The transaction price will be supported by a fair market valuation (or fairness opinion) made by an independent appraiser. Harrison Street Advisors will provide appropriate due diligence information to the Advisory Committee of the Core Fund and will not close a cross transaction without the consent of the Advisory Committee of the Core Fund (which is authorized to seek the advice of an independent professional). Similarly, HSRE will obtain consent from the advisory committee of the HSRE-sponsored fund. Written information regarding cross transactions will be provided to the limited partners of the Core Fund. Neither Harrison Street Advisors nor any of its affiliates will be paid broker's commissions or similar compensation from a cross transaction. However, it is possible that a cross transaction will result in incentive compensation being paid to an HSRE affiliate from a selling HSRE-sponsored fund.

In the event that the Core Fund has opportunities to participate with another HSRE-sponsored fund to acquire a portfolio of Primary Property Type assets, the allocation committee of HSRE will first identify any of the portfolio properties that meet the investment strategy of the Core Fund and the Investment Committee of the Core Fund will determine whether or not the acquisition of the identified properties is in the best interest of the Core Fund. The allocation of the transaction price will take into account appropriate physical, financial and market factors. Information regarding the portfolio acquisition will be provided to the limited partners of the Core Fund in a quarterly report.

The principals and officers of HSRE also provide services to the six HSRE-sponsored U.S. closed-end real estate investment funds, a separate account and the Europe Fund, as well as to other businesses and investments. Those persons may devote significant time in the future to the management of their other existing investments and professional activities, although certain executives of HSRE will devote substantially all of their business activities to the Core Fund, except for any time devoted to the other HSRE-sponsored funds and any future HSRE-sponsored funds.

No restrictions are placed upon HSRE or its affiliates with respect to existing real estate investments or non-real estate investments that are not owned by the Core Fund. Further, HSRE, the General Partner and/or their affiliates, principals and senior executives may purchase property that meets the Core Fund's investment criteria in order to complete a like-kind exchange with respect to any properties owned by HSRE, the General Partner and/or their affiliates, principals and senior executives.

Harrison Street Advisors may, in certain instances, cause the Core Fund and an asset management client to form a joint venture to acquire and finance and own specifically identified Primary Property Type assets. In such instance, the asset management client may compensate HSTA at rates that differ from the NAV-based fees paid by the Core Fund. HSTA will only form such joint ventures when it believes that the transaction is in the best interest of both clients.

Neither HSRE nor any affiliate of HSRE is prohibited from purchasing for its own account a Primary Property Type investment at any time that the HSRE/Harrison Street Advisors investment committee determines that the Core Fund does not have sufficient capital and resources to purchase the Primary Property Type asset for its own account.

## **Item 9 - Disciplinary Information**

Neither Harrison Street Advisors nor any of its management persons or HSRE Controlling Principals is or has been involved in any legal or disciplinary actions that would be material to an Investor or client in evaluating Harrison Street Advisors or the integrity of our management.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Neither Harrison Street Advisors nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer, as a futures commission agent, commodities pool operator, commodities trading adviser or an associated person of any of the foregoing.

Harrison Street Advisors is a wholly owned subsidiary of HSRE, and as such is managed by HSRE. Harrison Street Advisors expects to receive a variety of services from HSRE. For example, we will obtain general real estate market and economic information from HSRE and we share executive, back office and administrative personnel with HSRE. HSRE is a Chicago-based real estate investment management firm that currently operates six private closed-end United States real estate funds, a joint venture investing in real property, and a closed-end Europe Fund as well as the Core Fund. As of December 31, 2015, the HSRE real estate investment funds owned interests in approximately \$8 Billion (utilizing a conversion rate of US\$1.11 to €1.00 to convert European Fund amounts to U.S. Dollars) in real estate assets, including operating properties and projects under development.

Christopher Merrill, Christopher Galvin and Michael Galvin are the members of the board of managers of HSRE. Messrs Galvin, Merrill and Galvin, along with Dean Egerter, Robert Mathias and Stephen Gordon comprise the investment committee of HSRE. The HSRE investment committee members along with Joseph Lansing, the Core Fund portfolio manager,

form the investment committee for Harrison Street Advisors. Messrs. Merrill, Galvin, Galvin Egerter, Mathias and Gordon are principals of HSRE. Mr. Merrill is president and Chief Executive Officer of HSRE and Stephen Gordon, our General Counsel, is General Counsel to, and a principal of, HSRE.

Christopher Galvin and Michael Galvin, two of the three controlling principals of HSRE, are also principals of Gore Creek Asset Management, LLC, a family office (“Gore Creek”), and of Harrison Street Capital, LLC, also part of the family office (“HSC”). We do not receive real estate market or economic information from Gore Creek or HSC, share personnel with Gore Creek or HSC, or provide any investment advice to Gore Creek or HSC. Neither Gore Creek nor HSC will invest in the Core Fund.

The controlling interest in Harrison Street Securities, LLC (“HSS”) is owned by HS Securities Holdings, LLC of which Messrs. Christopher Galvin, Christopher Merrill and Michael Galvin are the controlling members and the managers. Mr. Merrill is one of two managers of HSS. HSS is a registered investment adviser that is the sponsor of a private equity fund and manages separate accounts for private investors. HSS invests on a discretionary basis in publicly traded securities of REITs and property management and other real estate related operating companies.

The potential exists for material, non-public information to pass between Harrison Street Advisors, HSRE, Gore Creek, HSC, and HSS, as all share a suite of offices. Procedural, physical and legal barriers have been put in place to minimize the likelihood of such an event. More information is available upon request to Investors in the Code of Ethics adopted by HSRE, HSS and Harrison Street Advisors (the “Code”) and the Harrison Street Advisors Policies and Procedures Manual.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We follow a Code of Ethics (“Code”) that is designed to comply with SEC Rule 204A-1. A copy of our Code is available to current and prospective Investors upon request.

The Code establishes rules of conduct designed to, among other things, govern personal securities trading activities in the accounts of Access Persons (as defined in the Code). In addition, the Code includes safeguards designed to avoid and/or mitigate conflicts of interests that could adversely affect our clients. In addition to requiring compliance with the applicable securities laws, the Code establishes policies and procedures designed to prevent the misuse of material, non-public information (including information regarding the Core Fund and Investors), and identifies activities that are either expressly prohibited or that require Chief Compliance Officer and/or designee approval. Matters that could give rise to an appearance of impropriety, such as most business gift giving, solicitation, serving on boards of directors of public companies, and political contribution payments and solicitation also require prior approval by our Chief Compliance Officer and/or designee. The Code applies to all HSRE personnel and principals.

The Code is based upon the principle that Harrison Street Advisors and applicable HSRE personnel and principals providing services to or on behalf of Harrison Street Advisors owe a

fiduciary duty to our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of those of our clients, (ii) taking inappropriate advantage of their position or relationship with Harrison Street Advisors, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that high ethical standards continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

Harrison Street Advisors and all applicable HSRE principals and personnel are subject to the following specific fiduciary obligations when dealing with the Core Fund and its Investors:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to seek best execution for a client's transactions where Harrison Street Advisors is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's objectives, needs and circumstances; and
- A duty of loyalty.

### **Interested Transactions**

No Harrison Street Advisors Access Person shall recommend any investment to the Core Fund without having disclosed to the Investment Committee and if material, the Advisory Committee of the Core Fund, his or her interest, if any, in such investment, including without limitation:

- Any direct or indirect beneficial ownership of any securities of a transaction party;
- Any contemplated transaction by such person in such investment;
- Any position with a transaction party or its affiliates; and
- Any present or proposed business relationship or transaction between such transaction party or its affiliates and such Access Person or any party in which such Access Person has a significant interest, including, without limitation, HSRE, other funds sponsored by HSRE, HSS, HSC and Gore Creek.

We have adopted the following principles governing personal investment activities by HSRE principals and personnel providing services to or on behalf of Harrison Street Advisors:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to address any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Access Persons must not take inappropriate advantage of their positions.

Purchases and sales of publicly traded securities of companies where we may possess material, non-public information, purchases of securities in initial public offerings and purchases of securities in limited offerings (private placements) by our Access Persons and certain of their family members require pre-approval by our Chief Compliance Officer or his or her designee.

Specific, detailed procedures have been put into place by HSRE to address any potential conflicts of interest. More information is available in the Code and in the Harrison Street Advisors Policies and Procedures Manual, copies of which are available to clients and Investors upon request.

## **Item 12 - Brokerage Practices**

Except occasionally in connection with the temporary investments of cash received from Commitment fundings pending investment, and cash flow from operations or the sale or refinancing of assets pending further investment or distribution, we expect to neither employ nor engage a securities broker-dealer for any transaction related to any investments. HSTA may aggregate securities orders made on behalf of the Core Fund and its parallel funds. We expect to hold cash reserves in Core Fund bank and money market fund accounts. We do not have any formal soft dollar arrangements and do not expect to have this type of arrangement in the future.

We have the discretion, under limited circumstances, to make investments in equity interests and debt instruments secured by mortgages on Preferred Property Types of real estate that we intend to acquire. When this occurs, we may execute the transactions through a broker-dealer and our objective will be to seek “best execution” (that is, the most favorable price and trade execution). Our effort to seek best execution on any individual transaction depends substantially on our judgment, knowledge and experience in evaluating the counterparties’ and service providers’ reliability and capability based on previous and pending transactions effected by the broker-dealer for the client’s account. These factors include, among other things, execution quality and capabilities including, with regard to market making, commissions charged by and gross compensation paid to such counterparty, and special knowledge of the real estate securities and instruments markets. Research and other services which are provided by the broker-dealer and which are expected to enhance the general portfolio management capabilities of HSTA may also be factors in selecting a broker-dealer for a HSTA client. Any broker-dealer will receive separate compensation for brokerage services with respect to transactions executed for a HSTA client.

Both Harrison Street Advisors and HSS have adopted policies and procedures that generally prohibit principal and agency cross transactions except in compliance with Section 206(3) of the Advisers Act.

## **Item 13 - Review of Accounts**

The portfolios under the supervision of Harrison Street Advisors are the Core Fund’s and Parallel Vehicle accounts. The investment positions in the Core Fund and Parallel Vehicle accounts are monitored by Joseph Lansing, the Portfolio Manager, on a regular and current basis. We may cause our asset managers, and when necessary our investment committee to review on an



expedited basis the assets of the Core Fund following a unique occurrence in the financial industry or market generally.

The Harrison Street Advisors' investment committee meets as necessary to review general portfolio composition, investment opportunities, market conditions, potential conflicts, and recent trading activities. The investment committee consists of seven persons, each of whom is either a senior HSRE management, a HSRE Controlling Principals, or both.

## **Reports**

Investors in the Core Fund generally receive written quarterly reports which include capital balance, Core Fund performance statistics and NAV information. Investors also receive annual audited financial statements for the Core Fund and REIT subsidiaries of the Core Fund. Investors in the Core Fund should carefully review the quarterly reports and the annual audited financial statements for the Core Fund and REIT subsidiaries of the Core Fund. Our asset management client receives written quarterly reports which include capital balances, portfolio performance statistics and portfolio NAV information. The asset management client also receives annual audited financial statements for the joint venture in which it holds an interest as well as the subsidiary REIT of that joint venture.

Certain Investors in the Core Fund may request information relating to the Core Fund and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, we generally will provide such Investors with the information requested. Investors that request and receive such information will consequently possess information regarding the business and affairs of the Core Fund that may not be known to other Investors. As a result, those Investors may be able to take actions on the basis of such information which, in the absence of such information, other Investors do not take.

Similarly, asset management clients may request information relating to the properties in which they hold interests and to the extent such information is readily available or may be obtained without unreasonable effort or expense, we generally will provide such client with the information requested. As a result, the management client may be able to call upon the Core Fund to take action based on such information which, in the absence of such information, an Investor in the Core Fund cannot take.

## **Item 14 - Client Referrals and Other Compensation**

Harrison Street Advisors does not directly or indirectly compensate any person for client referrals. We do not receive any economic benefits from non-Clients in connection with the provision of investment advice to the Core Fund.

The General Partner may retain placement agents to market the Units in the Core Fund from time to time. Any such placement agent's fee may be based on a percentage of the Commitments of Investors who they introduce to the Core Fund, however, no placement agent fees will be charged to or paid by the Core Fund.

## **Item 15 - Custody**

Because the General Partner of the Core Fund is an affiliate of Harrison Street Advisors, we are deemed to have “custody” within the meaning of SEC Rule 206(4)-2. The General Partner will provide each Investor in the Core Fund with written quarterly reports which will include capital balance, Core Fund performance statistics and NAV information. Investors also will receive audited financial statements for the Core Fund and its REIT subsidiaries that comply with U.S. generally accepted accounting principles within 120 days following the Core Fund’s fiscal year end. Investors should carefully review the quarterly reports and annual audited financial statements for the Core Fund and its REIT subsidiaries.

## **Item 16 - Investment Discretion**

We have executed a written investment management agreement with the Core Fund (and have or will have a written investment management agreement with any Parallel Vehicle) that grants us discretion to manage the Core Fund (and such Parallel Vehicle) investments. We have discretionary authority for the investments of the Commitments and cash assets, subject to its specific investment guidelines, investment approval authority retained for legal compliance purposes, and to the restrictions set forth in those agreements and in the Core Fund Limited Partnership Agreement, all as more fully described in the PPM.

## **Item 17 - Voting Client Securities**

Harrison Street Advisors does not intend to accept authority to vote proxies on behalf of the Core Fund. Rather, any proxies received by Harrison Street Advisors for the Core Fund will be delivered to the Core Fund General Partner, who will vote the proxies on behalf of such Fund. We will instruct the General Partner to vote proxies in accordance with policies and procedures which are designed to ensure compliance with Rule 206(4)-(6) of the Advisers Act. In this regard, with respect to the Core Fund proxies will be voted on behalf of the Core Fund based on a determination of the best interest of the Core Fund, consistent with the objective of maximizing long-term investment returns for the Investors. Where the Core Fund has made an investment in equity interests or debt instruments secured by mortgages on properties with a view towards acquiring the underlying properties, we expect that the General Partner will vote proxies to facilitate such transaction taking into account the investment goals and objectives of the Core Fund. No Investor may direct the voting of proxies on any particular matter. Investors may obtain information on how proxies have been voted by the General Partner upon written request addressed to us at our office.

Copies of our Proxy Voting Policy and how proxies, if any, have been voted will be made available upon written request addressed to HSTA.

The Core Fund may be subject to conflicts of interest in the voting of proxies. A potential conflict of interest may occur where an investment management client of HSS has a direct or indirect economic stake in the outcome of a proxy vote that is different from the Core Fund’s stake. When such a potential conflict arises between Harrison Street Advisors and HSS, or any of their respective affiliates or clients, the matter will be evaluated to determine whether an actual conflict exists and we will so advise the General Partner. Where an actual material

conflict exists, the General Partner will vote Core Fund proxies as it deems appropriate, and the portfolio manager at HSS will vote the proxies in HSS' possession and control as they deem appropriate.

## **Item 18 - Financial Information**

Harrison Street Advisors is not required to include in this Brochure a balance sheet for its most recent fiscal year. We are not aware of any financial condition of Harrison Street Advisors that impairs our ability to meet contractual and fiduciary commitments to the Core Fund or its Investors or any other client, and has not been the subject to any bankruptcy petition.