

# **HINES INVESTMENT MANAGEMENT LLC**

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This Brochure provides information about the qualifications and business practices of Hines Investment Management LLC (“Hines Investment Management” or the “Firm”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer at the telephone number provided above or [HIMcompliance@hines.com](mailto:HIMcompliance@hines.com).

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.

Hines Investment Management is registered as an investment adviser with the SEC. The fact that Hines Investment Management is “registered” does not imply any level of skill or training.

Additional information about Hines Investment Management is available on the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes made to this Form ADV Part 2 since the last Brochure dated February 14, 2012.

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## **Item 4 – Advisory Business**

Hines Investment Management LLC was formed as a Delaware limited liability company on January 30, 2012. Hines Investment Management is wholly-owned by Hines Interests Limited Partnership (“HILP”). HILP is principally owned by Gerald D. Hines and Jeffrey C. Hines. HILP and affiliated entities (collectively referred to as “Hines”) comprise an integrated global real estate firm that, with HILP’s predecessor, has been investing in real estate and engaging in real estate acquisition, development, property management, leasing, and disposition activities for over 50 years. This Brochure relates to Hines Investment Management and two relying advisers: Hines EDF GP Limited Partnership (“HEDFIGP”) and Hines EDF II GP Limited Partnership (“HEDFIIGP”), which are principally owned by Jeffrey C. Hines. HEDFIGP was formed in July 2003. HEDFIIGP was formed in January 2007. These relying advisers are under common control with Hines Investment Management and operate under the same code of ethics and compliance policies as Hines Investment Management. Except where noted, references in this Brochure to “Hines Investment Management” or the “Firm” apply to Hines Investment Management and the relying advisers.

Hines Investment Management provides investment advisory services for private real estate investment vehicles (each, a “Fund”) sponsored by Hines. HEDFIGP is the general partner of, and adviser to, Hines European Development Fund, LP. HEDFIIGP is the general partner of, and adviser to, Hines European Development Fund II, LP. Other affiliates of the Firm serve as the general partner or managing member or in a similar control capacity with respect to other Funds. In the future, Hines Investment Management may also provide investment advisory services to persons or entities other than Funds. Hines Investment Management’s advisory services include evaluating investment opportunities, investment monitoring, and advising on investment structures, acquisition, financing, and disposition. Hines Investment Management provides investment advice to a Fund or its general partner or other control person, but does not advise individual investors in a Fund.

Hines Investment Management tailors specific investment advice for a Fund based on the Fund’s investment objectives, which are set out in the private placement memoranda, limited partnership agreement, or other documents governing the Fund (collectively, “Governing Documents”). The terms provided in Governing Documents may differ from Fund to Fund. A Fund’s Governing Documents may impose restrictions on certain types of investments by a Fund for tax, regulatory, or other reasons. Fund investment strategies are discussed further in “Methods of Analysis, Investment Strategies, and Risk of Loss” in Item 8 below.

Hines Investment Management does not participate in wrap fee programs.

As of December 31, 2012, Hines Investment Management had \$7.87 billion of discretionary assets under management.

## **Item 5 – Fees and Compensation**

Hines Investment Management 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 the Firm and certain of its affiliates are compensated, but does not include a fee schedule.

Fees are determined and assessed in a manner specific to each Fund as set forth in each Fund's Governing Documents. For specific fees charged to a Fund, please refer to the Governing Documents for that Fund. Certain fees may be deferred or waived from time to time at the discretion of Hines Investment Management or the Fund's general partner or other control person. In some cases, a Fund reimburses Hines Investment Management for its costs of providing services rather than paying a stated fee. In these cases, the manner of calculating the costs to be reimbursed is provided for in the Fund's Governing Documents and is subject to a cap on the total reimbursement amount that can be paid by the Fund.

Hines Investment Management may be compensated from some or all of the following types of fees (which may vary depending on the Fund): (1) asset management fees, based upon the amount of committed or invested equity, paid quarterly in advance or quarterly in arrears, (2) acquisition fees, based on the purchase price of an acquired asset, paid at the time the asset is acquired, (3) disposition fees, based on the sales price of a sold asset, paid at the time the asset is sold, (4) debt financing fees, based on the amount of debt financing obtained, paid at the time the financing is obtained, and (5) performance fees, paid when distributions are made in excess of invested capital and a stated minimum return. Performance fees are discussed more fully in Item 6 below.

In addition to the fees above, one or more Hines affiliates may provide property-level services for real estate projects in which a Fund invests and receive some or all of the following fees in exchange for those services: (1) development management fees computed as a percentage of the budgeted development or redevelopment cost of a development project and paid over the development or redevelopment period of the project, (2) construction or construction management fees computed as a percentage of construction costs and paid over the construction period of a project, (3) property management fees computed as a percentage of rents received from a project and paid as rents are collected, (4) leasing fees computed as a percentage of rents payable under leases entered into for a project and paid at the time of lease signing, and (5) tenant construction management fees computed as a percentage of the construction cost of tenant improvements and paid as work is completed. The fees that Hines affiliates receive for these services and how these fees are borne by a Fund are provided for in the Governing Documents of the Fund and disclosed to Fund investors prior to their making a decision to invest in the Fund.

Each Fund will generally bear organizational and offering expenses incurred in the formation of the Fund. These include all expenses (including, legal, accounting, and travel expenses) incurred by the Fund, Hines Investment Management, and other Hines affiliates in connection with organizing the Fund and soliciting investors for the Fund, except that a Fund will not bear the cost of any placement fees.

Funds may incur brokerage or other transaction costs, as discussed more fully under "Brokerage Practices" in Item 12 below.

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

For some Funds, Hines Investment Management or another Hines affiliate is entitled to receive a performance fee, carried interest, or incentive allocation (referred to generally as a "performance fee") calculated as a percentage of a Fund's profits. The Governing Documents of each Fund provide for a distribution waterfall describing how distributions will be made to Fund investors and how the performance fee will be distributed to Hines. Investors must receive the return of and a stated preferred return on invested capital before a performance fee is distributed to Hines. The preferred return varies for each Fund and is set forth in its Governing Documents.

Hines typically invests its own capital in each Fund and will be entitled to receive distributions as an investor based on its invested capital on the same basis as other investors and such distributions will not be credited against or reduce any performance fees.

For some Funds, the performance fee is subject to clawback provisions requiring that it be returned (in some cases net of taxes) to the extent Fund investors have not received distributions equal to their invested capital and preferred return as set forth in the Fund's Governing Documents.

Performance fee arrangements may create potential conflicts of interest. For example, the existence of a performance-based fee for one Fund could provide an incentive for Hines Investment Management to focus greater attention on, or provide more attractive investment opportunities to, that Fund at the expense of other Funds that have less attractive or no performance fees in order to maximize the potential to earn a performance fee. The risks of this potential conflict of interest are mitigated in the following ways:

- Funds and other investment vehicles sponsored by Hines are generally designed to have investment strategies that do not overlap with the investment strategies of other Funds.
- In some cases where there is an overlap in strategies, one Fund may be given a contractual right to opportunities that fall within its investment strategy in preference to any other Fund or Hines-sponsored investment vehicle, so that Hines has no discretion in how opportunities are allocated.
- In other cases where there is an overlap in strategies, Hines implements an allocation policy, overseen by an allocation committee, that requires that investment opportunities be allocated between the Funds with overlapping strategies on a rotating basis.
- Each Fund is managed by a management team whose compensation is substantially affected by the performance of that Fund, giving each management team an incentive to pursue the best interests of the Fund it manages.
- Investors in each Fund, or a committee of selected investors not affiliated with Hines, are provided with summaries of investment allocation decisions that might affect their Fund and given an opportunity to discuss the bases for the allocations made with the Fund's management team.

These potential conflicts of interest and their mitigation are discussed further in Item 10 below. All performance-based fees are paid in compliance with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act").

## **Item 7 – Types of Clients**

Hines Investment Management provides investment advice to Funds sponsored by Hines to invest in real estate or real estate related assets. Fund investors typically include one or more of the following types of investors: public or corporate pension plans, insurance companies, financial institutions, corporations, foundations, sovereign wealth funds, and high net worth individuals. Each Fund has a minimum capital commitment requirement for investors specified in the Fund's Governing Documents. Fund investors must meet specified investor suitability requirements, which may vary by Fund and are described in each Fund's Governing Documents.

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

### **Investment Strategies**

Hines Investment Management provides advice to the Funds regarding investments in real estate related assets. Funds generally invest in limited liability companies, limited partnerships, private real estate investment trusts, or other entities organized for the purpose of holding real estate or real estate related assets. In some transactions, Funds may participate in joint ventures with other Hines-sponsored vehicles or with unaffiliated third parties.

Each Fund has a specific investment strategy that is described in the Fund's Governing Documents. In general, key investment strategies are defined by reference to types of real estate assets, geographic region, or both. Real estate assets in which different Funds invest include some or a combination of the following types of real estate investments: core, value added, opportunistic, office, residential, industrial, retail, mixed-use, acquisition, development, or redevelopment. Funds may target investments in particular countries or regions in developed or emerging markets in the Americas, Europe, or Asia, or a combination of the foregoing.

### **Investment Analysis**

Hines Investment Management generally relies on regionally-based Hines real estate professionals knowledgeable in the markets in which an advised Fund seeks to invest to identify potential real estate investment opportunities based on the Fund's investment criteria. Hines believes that one of the most important aspects of making attractive investment decisions and maximizing asset performance is having a solid understanding of the underlying market and submarket fundamentals. This understanding includes a detailed micro-level submarket analysis of new construction, absorption, direct vacancy, sublet vacancy, and job growth. Hines' regional asset management personnel assimilate information from multiple local sources and develop independent proprietary data. Using this data while considering current conditions relative to historical trends, Hines' regional asset management personnel develop well-reasoned market opinions. With this submarket level knowledge, Hines' regional asset management personnel construct vacancy projections in each market, providing critical information for asset level decisions.

When Hines regional personnel identify a potential investment for a Fund, the Fund's management team evaluates the opportunity based on multiple factors, including its effect on the Fund's diversification and other risk characteristics and whether the asset can meet the Fund's investment objectives.

At the portfolio level, each Fund's management team continually reviews macro market conditions by considering economic, employment, and business trends affecting real estate demand, including demographics, economic drivers, education trends in the workforce, and political and economic influences on major regional economies. Additionally, a Fund's management team makes macro level judgments about the volatility anticipated in a region, its effect on liquidity for assets in the region, and how this affects the long-term view of the market.

In addition to macro level market judgments, "bottom up" micro level assessments of real estate fundamentals (prepared by Hines' regional asset management personnel) are used in particular markets and submarkets.

## **Risk of Loss**

Because Hines Investment Management provides advice on investments in real estate related assets, these investments are subject to the risks to which all real estate investments are subject. An investment in real estate, or a real estate related asset, involves a significant degree of risk, including the risk of loss of investment, and therefore should be undertaken only by investors capable of evaluating the risks of the investment and bearing the risk such investment represents. The following is a summary of some of the material risks associated with Hines Investment Management's investment strategies.

### *Risks of Real Estate Investments*

A real estate investment's income or value is largely derived from rent received or expected to be received from tenants. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make rental payments. The default, loss, or bankruptcy of a major or anchor tenant could have a material adverse impact on a Fund's income. Additionally, the investment's income may be adversely affected if significant tenants do not renew leases or, because of market conditions, renew their leases on terms that may be less favorable to a Fund than the terms of current leases.

Real estate assets are often subject to extensive environmental laws and regulations, fire and safety requirements, zoning and similar laws, and other governmental rules, regulations, and policies. Any changes in these laws, regulations, or policies could have a material adverse impact on the relevant properties and, consequently, on a Fund.

Investments in real estate are subject to various other risks, including (i) adverse changes in general economic conditions and adverse local market conditions, (ii) changes in availability of debt financing, changes in interest rates, and the availability of financing, (iii) real estate tax rates, (iv) security costs and other operating expenses, (v) environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, (vi) energy prices, (vii) changes in the relative popularity of property types and locations, (viii) risks due to dependence on cash flow, (ix) risks and operating problems arising out of the presence of certain construction materials, and (x) acts of God, acts of terrorism, uninsurable losses, and other factors that are beyond the control of Hines Investment Management.

At times, the commercial real estate market can experience substantial inflows of capital from investors. This substantial inflow of capital, combined with significant competition for real estate, may result in inflated purchase prices for assets. If a Fund purchases real estate in such an environment, it will be subject to the risk that the real estate market ceases to attract the same level of capital investment in the future, or that the number of companies seeking to acquire such assets decreases, which could lead to lower returns and a reduction in the value of its assets.

### *Suitable Investment Opportunities May Not Be Available; Competition*

The success of a Fund as a whole will depend on the availability and identification of suitable investment opportunities. The availability of high quality real estate assets will be largely dependent upon the continued economic growth and development of the markets and the cities in which projects are located. In addition, a Fund will face substantial competition for attractive investments from existing and new real estate investors with similar investment objectives. Each Fund will compete for investment opportunities with insurance companies, public and private pension funds, other real estate investment funds, public and private REITs, and large tenants seeking to own their own buildings. Many such entities will have substantially greater financial resources than a particular Fund. Accordingly, there can be no assurance that a Fund will be able to identify and complete suitable investment opportunities that satisfy its investment objectives or that it will be able to fully invest all of its committed capital.



#### *Lack of Liquidity of Real Estate Investments*

Given the nature of real estate investments, a Fund may be unable to sell or otherwise dispose of its properties at attractive prices if national or local market conditions are poor. In particular, these risks could arise from changes in the financial condition or prospects of the particular assets in which investments are made or of tenants leasing space in those assets, changes in economic conditions, or changes in laws, regulations, or fiscal policies of jurisdictions in which investments are made.

#### *Emerging Markets Risks*

A Fund may pursue real estate investment in one or more emerging markets. Investing in emerging markets involves risks and considerations not typically associated with investing in more established economies. Such risks may include, among others, (i) a high dependency of national economies on exports and the corresponding importance of international trade and commodities prices, (ii) currency exchange rate fluctuations, (iii) a higher degree of governmental involvement in and over the economies, including a greater level of bureaucracy, (iv) differences in auditing and financial reporting standards, which may result in the unavailability of material information and a corresponding reduction in the reliability of due diligence, (v) potentially higher rates of inflation, (vi) social, economic and political uncertainty, (vii) war, (viii) limitations on repatriation of invested capital, (ix) nationalization or expropriation of assets, (x) confiscatory taxation, (xi) short term government or administrative policy decisions, e.g. to discontinue support for economic reform programs, and (xii) the imposition of centrally planned economies.

#### *Risk of a Limited Number of Investments*

Given the nature of a Fund's investments and the amount of capital required to acquire the types of properties targeted by a particular Fund, a Fund may be able to make only a relatively small number of investments and may be diversified only to a limited extent. As a consequence, a Fund's performance may be substantially adversely affected by the unfavorable performance of one or a small number of investments or by circumstances adversely affecting one or a small number of tenants or classes of tenants.

#### *Use of Leverage*

Funds will be subject to risks normally associated with debt financing, including the risk that its cash flow will be insufficient to meet required payments of principal and interest and that a Fund will be unable to refinance such debt on favorable terms at maturity or at all in a difficult capital market environment. Either of these events could have a material adverse effect on a Fund's business and results of operations. The use of leverage may increase the exposure of a Fund's operations to adverse economic factors such as rising interest rates, severe economic downturns, deterioration in the condition of a real estate investment or its market, and adverse credit market conditions.

#### *Hedging Transactions*

Funds may enter into currency rate swaps, caps, or similar hedging arrangements in order to manage or mitigate the risk of exposure to the effects of currency changes as a result of international investments. Similarly, Funds may enter into interest rate swaps, caps, or similar hedging arrangements in order to manage or mitigate risk of exposure to the effects of interest rate changes due to variable interest rate debt. The use of hedging arrangements may present significant risks, including counterparty risk, in that defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the instrument being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged. Use of hedging arrangements may not prevent significant losses and could increase losses.

### *Environmental Risks*

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 the 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 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. Environmental laws also govern the presence, maintenance, and removal of asbestos-containing building materials (“ACBM”). Such laws require that ACBM be properly managed and maintained, that those who may come into contact with ACBM be adequately apprised or trained and that special precautions, including removal or other abatement, be undertaken in the event ACBM would be disturbed during renovation or demolition of a building. Such laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

### *Risks Associated with Joint Ventures*

Funds may make investments in other entities and enter into partnerships or joint ventures with any person (including Hines affiliates). Assets held through joint ventures may not be as liquid as they would be if held directly by a Fund. Such investments may involve risks not present in direct property investment, including for example, the possibility that a co-venture or partner of a Fund (i) has economic or business interests or goals that are inconsistent with those of the Fund, (ii) takes actions contrary to the instructions or requests of the Fund or contrary to the Fund’s policies or objectives with respect to particular investments, (iii) is unable or unwilling to fulfill its obligations under the applicable joint venture agreement, or (iv) experiences financial difficulties. The occurrence of such problems could have a material adverse effect on the business and prospects of a Fund and may affect management decisions of the joint venture and distribution and exit strategies in a manner adverse to a Fund’s interests. In addition, co-investors may have a significant ability to influence the day-to-day management and affairs of jointly held investments, in some cases even greater than that of a Fund. A Fund could also be liable for actions of its joint venture partners. While the general partner of each Fund will take all reasonable steps to review the qualifications and previous experience of any proposed joint venture partner, it does not expect in all cases to obtain financial information from, or to undertake private investigations with respect to, prospective joint venture partners.

## **Item 9 – Disciplinary Information**

Hines Investment Management and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s or prospective client’s evaluation of Hines Investment Management’s advisory business or the integrity of its management.

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

### **Other Financial Industry Activities**

Hines Investment Management is affiliated with Hines, an integrated global real estate firm that invests in real estate and engages in real estate acquisition, development, property management, leasing, and disposition activities for a variety of clients other than the Funds advised by Hines Investment

Management. Various potential and actual conflicts of interest may arise from the overall activities of Hines and its affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. A more detailed description of applicable conflicts of interest is set forth in the Governing Documents of each Fund.

#### *Allocation of Investment Opportunities*

Investment opportunities may arise that are suitable for more than one Fund or for one or more other Hines-sponsored investment vehicles, presenting the potential for conflicts of interest among these Funds or investment vehicles. Each Fund's Governing Documents define its investment mandate, and the mandates of different Funds are generally established to minimize overlap with each other and with other Hines investment vehicles. However, investment opportunities sometimes arise that may be suitable for more than one Fund or other investment vehicle. Investments determined to be suitable for more than one Fund or investment vehicle are reviewed by an allocation committee composed of Hines executives, and investments whose allocation is not governed by a contractual exclusivity provision are allocated among such Funds or other investment vehicles on a rotating basis.

#### *Allocation of Personnel*

Hines Investment Management and its affiliates will devote such time as shall be necessary to conduct the business affairs of each Fund in an appropriate manner. However, officers and employees of Hines Investment Management or other Hines affiliates may have significant responsibilities with respect to projects unrelated to, and in some cases in competition with, those of a particular Fund. Accordingly, conflicts of interest may arise in the allocation of these employees' time, services or functions. These risks are mitigated by assigning to each Fund a fund manager and supporting management team whose compensation is substantially derived from the Fund to which they are assigned.

#### *Fees for Services*

Hines affiliates may be entitled to receive fees for services rendered in connection with a Fund's real property investments. For each property acquired by a Fund, an affiliate of Hines Investment Management will generally provide property-related management services, which may include property management, leasing, development management, and construction management services for which the Fund will pay prescribed fees and reimbursements for certain direct costs. The foregoing fees and other amounts will be paid to these affiliates without regard to the success of the investments made by the Fund. That is, these affiliates will receive these payments even if such investments do not generate a profit. Furthermore, these fees may not have been set by "arm's length" negotiations, and may be higher than the fees that might be charged for similar services by an unaffiliated third party. Any fees payable to a Hines affiliate by a Fund and the services to be rendered in exchange for such fees are described in the Governing Documents of the Fund and will be disclosed to Fund investors before they make a decision to invest in a Fund.

#### **Other Financial Industry Activities**

An affiliate of Hines Investment Management, Hines Securities, Inc. ("HSI"), is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, Inc. HSI acts the placement agent for the private offer and sales of interests in Funds for which Hines Investment Management provides advisory services. Some supervised persons of Hines Investment Management are also registered principals or registered representatives of HSI.

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

Hines Investment Management has adopted a written Code of Ethics in accordance with Rule 204A-1 under the Advisers Act that sets forth ethical standards of business conduct, including compliance with applicable federal securities laws, that the Firm requires of its supervised persons. This Code of Ethics is intended to reflect fiduciary principles that govern the conduct of the Firm's employees and its supervised persons in those situations where the Firm acts as an investment adviser as defined under the Advisers Act in providing investment advice to clients. It consists of policies regarding several key areas, including: standards of conduct and compliance with laws, rules and regulations, confidentiality, and personal trading accounts and trading restrictions. All employees review and acknowledge reviewing the Code of Ethics annually. Violations of the Code of Ethics may result in disciplinary action or dismissal. The Firm will provide a copy of its Code of Ethics to any client or prospective client upon request. Please contact the Firm at the address or phone number listed on the face of this Brochure to request a copy.

## **Item 12 – Brokerage Practices**

Due to the nature of real estate investments, securities broker-dealers are not generally used for the investment transactions undertaken by the Funds. To the extent that any of the Funds acquire publicly-traded securities, Hines Investment Management will arrange for the execution of securities brokerage transactions for a Fund's account through broker-dealers that the Firm believes will provide the "best execution." In attempting to provide "best execution," Hines Investment Management will seek to execute securities transactions so that a Fund'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 the Firm 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. Hines Investment Management 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. Hines Investment Management currently does not direct any commissions to third parties in exchange for such services. No soft dollar arrangements may be entered into by Hines Investment Management without the prior written approval of its Chief Compliance Officer.

Hines engages real estate brokers and other service providers for asset sales, leasing, debt financing, and other services from time to time. In selecting service providers, Hines seeks to select the best service provider at a competitive fee structure. Hines may consider various factors in selecting a service provider, including: recent experience in the local market and property type, depth and breadth of the service provider's proposed team, team knowledge and capabilities, prior experience, pricing analysis and recommendations, and fee proposal.

## **Item 13 – Review of Accounts**

### **Review of Fund Portfolios**

Hines Investment Management actively monitors the assets of the Funds it advises, assessing project development and performance against the project's development or other investment plan, reviewing market trends, and evaluating potential exit strategies based on the investment objectives of the Fund. Real estate managers monitor property performance and make reports and recommendations to Fund management teams. Any decision to make a new investment requires the approval of an investment committee comprised of senior Hines executives. A separate advisory committee comprised of representatives of selected Fund investors will have the right to approve matters involving potential conflicts of interest related to transactions involving the general partner of such Fund and its affiliates.

### **Fund Reporting**

The Governing Documents of the Funds provide for periodic written reports to investors. Generally, investors in a Fund will receive quarterly reports that include unaudited financial information and a status report on the Fund and its investments. Fund investors will also receive annual audited financial statements for the Fund in which they are invested.

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

Hines Investment Management does not receive any economic benefit from anyone, other than its clients, for providing investment advice or advisory services to its clients.

Third party placements agents are sometimes engaged to solicit investors for a Fund. These placements agents are typically paid a commission based on the amount of capital committed to a Fund by investors they introduce. Any such placement agent fees are paid by Hines and not borne by the Fund or its investors.

## **Item 15 – Custody**

The Funds' general partners or other control persons, which are affiliates of Hines Investment Management, have the authority to manage and conduct the business of the Funds and, in exercising such authority, may have the ability to obtain possession of funds and securities of the Funds. Accordingly, Hines Investment Management is deemed to have "custody" of the funds and securities of the Funds 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 Funds (other than certain privately offered securities that are not in certificated form) are maintained with "qualified custodians." Each of the Funds is subject to an annual audit by an independent accounting firm that is registered with the Public Company Accounting Oversight Board and the annual audited financial statements are distributed to each investor in the Funds. The audited financial statements for each of the U.S. Funds will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's respective fiscal year end to meet the requirements of Advisers Act Rule 206(4)-2(b)(4). Accordingly, investors in the Funds will not receive account statements from the qualified custodians engaged by the Funds.

## **Item 16 – Investment Discretion**

The general partner or other control person of each Fund is under common control with Hines Investment Management. Hines Investment Management can therefore be viewed as having the authority to manage each Fund's investments on a discretionary basis. This authority is subject to investment guidelines, limitations, and restrictions set forth in the Governing Documents of each Fund.

## **Item 17 – Voting Client Securities**

Hines Investment Management's primary business is to provide investment advisory services for private investment vehicles that invest in real estate. These activities generally do not involve investments in publicly-traded securities. In the event that any of the Funds invest in publicly-traded securities, Hines Investment Management has adopted a proxy voting policy to comply with Rule 206(4)-6 promulgated under the Advisers Act. Clients may obtain a copy of the Firm's proxy voting policies and procedures upon request. The policy was designed to ensure that Hines Investment Management administers proxy voting matters in a manner consistent with the best interest of its clients and in accordance with its fiduciary duties under the Advisers Act and other applicable laws and regulations.

## **Item 18 – Financial Information**

Hines Investment Management is not required to attach a balance sheet, because it does not require or solicit the payment of fees six months or more in advance.

Hines Investment Management has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients.

Hines Investment Management has never been the subject of a bankruptcy petition.