

ALIGNIUM, LLC

Alignium, LLC Form ADV Part 2A: Brochure



Alignium, LLC (“Alignium”) is a Delaware limited liability company with its headquarters at: 318 W. Adams Street, Chicago, IL 60606; Telephone (312) 778-8951; Website: www.AligniumLLC.com and has compiled this brochure on March 9, 2018.

This brochure provides information about the qualifications and business practices of Alignium to act as a fiduciary to institutional investors with respect to their real estate and real assets investments.

If you have any questions about the contents of this brochure, please contact us at (312) 778-8951 or compliance@AligniumLLC.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 Alignium will also be available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm’s CRD number is **286459**.

Any reference by Alignium to the term “registered investment adviser” does not imply a certain level of skill or training and such statement should be viewed accordingly. References to “Items” herein correspond to disclosures required by Part 2A of the SEC brochure rule pursuant to which this brochure has been prepared.

ITEM 2 | Material Changes

Alignium is a real estate and real assets investment advisor and pension consultant with respect to assets of plans having an aggregate value of at least \$200,000,000 that qualifies for the exemption in rule 203A-2(a). Our total client assets under advisement are \$2,051,939,648 as of 12/31/2017, which has increased from \$665 million as of our most recent filing in May 2017.

In August 2017, we reincorporated our business from Illinois to Delaware. As of August 17, 2017, we are a Delaware limited liability company.

ITEM 3 | Table of Contents

| | Page |
|--|------|
| Cover Page | 1 |
| Material Changes | 2 |
| Table of Contents..... | 2 |
| Advisory Business..... | 3 |
| Fees and Compensation..... | 6 |
| Performance-Based Fees and Side-By-Side Management..... | 7 |
| Types of Clients..... | 7 |
| Methods of Analysis, Investment Strategies, and Risk of Loss..... | 7 |
| Disciplinary Information..... | 11 |
| Other Financial Industry Activities and Affiliations..... | 11 |
| Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading..... | 12 |
| Brokerage Practices..... | 12 |
| Review of Accounts..... | 12 |
| Client Referrals and Other Compensation..... | 12 |
| Custody..... | 12 |
| Investment Discretion..... | 13 |
| Voting Client Securities..... | 13 |
| Financial Information..... | 13 |
| Requirements for State Registered Advisors..... | 13 |

ALIGNIUM, LLC

Firm Information

Item 4. A.

Founded in 2017, Alignium is an institutional real estate and real assets advisory services firm. The three co-founders of the firm have worked together since 2011. The firm is registered as an investment adviser with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940.

Alignium is organized as a Delaware limited liability company, and is 100% owned by three active managing principals, Dan Krivinskas, Managing Principal and Chief Compliance Officer; Scott Krouse, Managing Principal/Director of Administration; and Mark Bartmann, Managing Principal. With further respect to firm ownership, Alignium plans to establish programs to provide firm ownership interests to additional senior Alignium personnel and to reduce the combined ownership interests of the current principals.

Types of Advisory Services

Item 4. B.

Alignium offers institutional investment consulting services to clients. Alignium is exclusively focused on global real estate and real asset classes. Alignium provides investment advice to its clients, which allows clients to invest their own assets after studying Alignium's recommendations. Alignium analyzes primary funds, secondaries, co-investments, and direct investments, among other types of investment solutions on behalf of its clients. Alignium also conducts research and provide recommendations on real assets such as Timber, Agriculture, and Infrastructure. Alignium employs a full-time, dedicated team responsible for conducting research and providing investment advice to our clients. Our team is based in Chicago, Illinois, with a satellite office in Cleveland, Ohio.

Firm clients will include tax-exempt institutional investors, such as public, corporate, and Taft-Hartley pension plans, as well as foundations, endowments, insurance companies, family offices, banks and sovereign wealth funds.

Alignium provides its services either on a retainer or project basis. In all instances, Alignium acts as a fiduciary. For private pension plan clients, Alignium carries out its responsibilities and duties in accordance with the applicable provisions of the Employee Retirement Income Security Act ("ERISA").

Alignium provides a full range of consulting services, including the following: policy and annual plan/strategy development; global market conditions reviews and research; manager/partner evaluation and selection, including fee analysis and structuring; portfolio monitoring, including performance measurement and analysis; benchmarking development and selection; investment transaction evaluation, due diligence and management; terms negotiations and co-investment evaluation.

Alignium's clients' investment strategies will include core, value and opportunistic real estate and real asset investments in domestic and international markets. Such investments will include both debt and equity, as well as public and private real estate and other real assets.

ALIGNIUM, LLC

Alignium clients typically invest either directly (e.g., through individually managed or separate accounts) or indirectly (i.e., through commingled or pooled funds).

The scope of Alignium's consulting activities in a typical full service retainer consulting relationship generally encompass:

Strategic Planning and Investment Policy Review and Revisions

Alignium provides its clients with independent and objective advice related to portfolio-level strategies. At the outset, we work with clients to establish and define portfolio allocations, investment goals, objectives, guidelines, limitations and procedures. Such investment policy development entails defining parameters governing investment mix and risk management. We additionally produce annual strategic investment plans and pacing studies. Alignium typically reviews these portfolio and investment objectives strategies at least on an annual basis with clients.

Investment Analysis and Due Diligence

Alignium assists clients with respect to evaluating investments, which typically require a written recommendation as to the course of action. We provide clients and their staff, boards, and investment committees with written recommendations, supported by appropriate research and due diligence investigation.

Research, Education, and Production of Newsletters and White Papers

Alignium provides written analysis of market conditions reports covering the real estate capital markets and risk factors through written research studies or investment seminars. We additionally conduct educational sessions with our clients regarding current market conditions in the commercial real estate market.

Board Meeting Attendance

Alignium meets with the client's Board members, subcommittees of the Board and investment management staff, as requested, to present policy, annual plan/strategy, market conditions, investment recommendations, portfolio updates, performance and other information. These meetings typically occur on a quarterly basis, semi-annual, or annual basis.

Performance Reporting

As part of a typical retainer relationship, Alignium assists clients in developing appropriate benchmarks, including customized benchmarks where appropriate. Alignium provides quarterly performance reports that include industry standard return information, benchmark analyses, investment allocation information, risk factor data (e.g., sector, leverage market, manager concentrations), quarterly cash flow statements on a portfolio and investment basis and market conditions summaries. This component of our services includes the ongoing analysis of current managers and investments. We utilize a software package licensed Backstop Solutions, from a world-class provider of performance reporting software to the

ALIGNIUM, LLC

financial industry.

Product/Manager Offering Database

Alignium maintains and augments investment databases that track investment returns, manager capabilities, and other capital market information. Alignium generates periodic information requests to public and private real asset managers to obtain detailed information on those firms and their products in order to keep the Alignium manager databases current and to assist with our due diligence reviews of potential investment recommendations.

Alignium provides clients with manager questionnaires, which include data on historical returns, investment terms, and other relevant information.

Tailoring Advisory Services to Clients

Item 4. C.

At the inception of each client relationship, Alignium conducts an initial review and evaluation of a client's portfolio, including any real estate and real asset (e.g., infrastructure, timber and agriculture) holdings, at both the individual investment and portfolio level. This analysis includes: (i) risk management characteristics such as sector, geographic, property type and economic diversification; (ii) investment vehicle and structure; (iii) performance measurement analysis, (iv) exit strategies and hold/sell analyses, (v) manager profiles, and (vi) management fee and leverage analyses. Clients may impose restrictions on the types of investments they will undertake; such restrictions will typically be detailed in an investment policy statement.

Alignium's primary strength is our ability to offer customized investment advisory services to our clients. We avoid a "one-size-fits-all" approach to portfolio construction and investment advice, dedicating significant resources at the onset of an engagement to understand each client's risk tolerances, investment policies and limitations and requirements. To this end, we take a measured approach to seeking new client engagements and prioritize and pursue those engagements we feel are a good fit, not only for our firm, but for our potential client as well.

As part of our customized advisory services, our consultants have been on the vanguard of negotiating various improvements to limited partnership, limited liability companies, and other alternative investment agreements on behalf of our clients.

Wrap Fee Programs

Item 4. D.

Alignium does not participate in any wrap fee programs.

Client Assets Under Management

Item 4. E.

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As primarily a pension consulting business, we do not manage any client assets on a discretionary basis, nor do we have any proprietary investment products in which we market to investors. Our advisory services are on a non-discretionary basis. However, we consult to more than \$2.05 billion in client assets under advisement (“AUA”), utilizing client portfolio valuations as of 12/31/2017, which is the most recent value available of assets under advisement as of the date of this filing.

Fees and Compensation

Item 5. A.

Advisory Fees:

Fee arrangements are negotiated individually with each client and vary depending on the nature and scope of the services to be provided. Alignium does not have a standard fee schedule. Rather, fees are charged on a retainer or project basis depending on the nature and complexity of the engagement. A typical retainer-based fee for consulting services includes a flat fixed fee. Retainer agreements also may provide for reimbursement or direct payment of expenses (e.g., travel-related items). Retainer-based fees are payable on a monthly or quarterly basis in arrears.

Project-based fees are negotiated for each assignment typically and are based a number of factors, including the scope, size and complexity of the assignment. Fee schedules typically include reimbursable expense items. Project fees generally are billed on a scheduled basis or upon completion of the assignment.

Set-Offs

Item 5. B.

With respect to Alignium advisory clients, Alignium does not deduct fees, but rather bills clients on a monthly or quarterly basis in arrears.

Other Fees and Expenses

Item 5.C.

Alignium’s fees are in addition to any asset management, attorney, accounting, custodian or other third-party expenses, which are paid by the client to non-affiliated firms. Alignium does not receive any portion of such fees or expenses. All of our firm revenue is derived solely from our clients for advisory services.

Advanced Payment of Fees

Item 5. D.

Alignium’s clients pay for services rendered in arrears, generally on a quarterly or monthly

ALIGNIUM, LLC

basis. Contracts between Alignium and its clients generally are terminable by either party without penalty upon 30 days notice or such other agreed upon notice period.

Compensation for the Sale of Securities or Investment Products

Item 5. E.

Alignium's employees do not engage in the sale of investment securities or products and are solely compensated for advisory services.

Performance-Based Fees and Side-By-Side Management

Item 6

Alignium does not receive any performance-based fees, that is, fees based on a share of capital gains or capital appreciation.

Types of Clients

Item 7

Alignium provides real estate and real assets (e.g., infrastructure, timber and agriculture) investment advisory services as previously described primarily to institutional investors, including public, corporate, and Taft-Hartley pension plans, as well as foundations, endowments, banks, insurance companies, private funds, family offices, and sovereign wealth funds.

Methods of Analysis, Investment Strategies, and Risk of Loss

Item 8. A.

Alignium's professionals have worked on many real estate and real assets manager searches and separate account evaluations, with particular focus on minimum manager qualifications, track record verification, manager co-investment requirements, manager interest subordination, strategy, term, leverage ratios, control and termination rights, investment limitations, geographic foci, management and other fees (e.g., acquisition, disposition, financing), key person clauses, time requirements, asset valuation policies, and promoted interest structures.

Due to the large number of managers available in the real estate and real assets universe, Alignium has a two-tiered process for conducting due diligence on a potential investment. Initially, we require managers to provide information on a wide variety of metrics by which we screen (i.e., assets under management, organizational size and depth, strategy strengths, etc.). If an investment merits further review (either determined by us or required by the client), we require managers to fill out a more detailed questionnaire that outlines alignment of interest details, track record information, incentive fee and claw back structures, and other information important in conducting detailed due diligence.

ALIGNIUM, LLC

By focusing on both quantitative and qualitative factors, we conduct due diligence with the goal of understanding where certain managers and funds overlap and where others can provide true diversification and increased risk-adjusted returns to clients.

Our review of potential investments includes qualitative and quantitative reviews of risks and conflicts of interest. In most cases, the issues can be assessed through analysis, bringing up the issue with the manager, and creating a solution specific to the situation. We work to ensure managers have appropriate quantitative and qualitative credentials. Quantitative measures that Alignium employs include:

- Historical returns from past accounts in comparison to the projected returns as defined by the manager;
- Volatility of returns given the expected risk/reward ratio;
- Key investment terms compared to other managers offering to provide similar account services; and
- Fees charged to clients, including asset management fees, promoted interest structures, and other fees charged by the manager.

Key qualitative measures are also used to analyze investment managers; which include:

- Depth of management and support team to execute the stated strategy;
- Alignment of interests between the manager and our clients, including understanding who is providing the co-investment capital and on what terms;
- Financial condition of the manager;
- Review of the business terms in the investment documents;
- Industry experience of key investment personnel as well as time spent working together;
- Distribution of incentive fees within the manager;
- Conflicts of interest, including corporate governance issues and protections for investors;
- Personnel turnover and incentives for retaining top firm professionals;
- Manager asset underwriting processes and investment committee protocols;
- Asset management capabilities and workout experience; and
- Exit strategy analysis and manager focus on maximizing investor returns on a risk-adjusted basis.

A key component of our due diligence of a potential manager is the evaluation of historical track record information. Our track record analysis process is flexible to accommodate different types of fund structures (open-ended vs. closed-ended).

Alignium personnel conduct manager site visits with respect to the vast majority of investments in which an investment recommendation is made. Our professionals conduct site visits to various managers, both those we are considering making an investment recommendation to as well as managers in which our clients already have made investments.

All senior Alignium investment team members are involved in the decision-making process and we conduct regular investment committee meetings in order to make recommendations to our clients on real estate and real assets-related investments. The investment committee acts on investments before any recommendation is sent to a client. This includes dynamic discussion of strategy, corporate governance, track record, investment terms, alignment of

ALIGNIUM, LLC

interests, appropriateness of strategy in the current market environment and other factors in order to come to a positive or negative recommendation. Investment Committee votes are ratified by a majority of members voting.

The decision-making process includes review of (i) track record, (ii) risk mitigation techniques, (iii) expected returns, (iv) corporate governance protections, (v) investment limitations, (vi) leverage, (vii) management fee and incentive fee compensation, (viii) claw back and escrow mechanisms, and (ix) key person clauses, among other items. Investment recommendation reports can be tailored to client requests, including a comparative “tier” of various funds as well as a full-body report.

Risks of Loss **Item 8. B. C.**

Investments in real estate or real assets involves the risk of loss. We advise clients that past manager performance is not a predictor of future results and that such assets exhibit inherently uncertain outcomes. The use of leverage will expose investors to certain risks.

With respect to real estate and other real assets, we pay particular attention to the use of leverage in a portfolio. As clearly evidenced during the 2008-2009 financial crisis, managers must be extremely careful with how leverage is utilized as it can significantly amplify losses during market downturns. We have previously been successful in negotiating leverage tests and/or limits in investment documents on behalf of our clients and typically prefer strategies that focus on current income and downside protection rather than using excessive leverage to generate higher returns (e.g., we typically prefer an unlevered, but consistent return to a higher return on that same asset through the excessive use of leverage that can be cut off during periods of market distress, leading to risk of permanent loss).

Use of leverage will subject investors to risks normally associated with debt financing, including the risk that real estate cash flow will be insufficient to meet required payments of principal and interest; the risk that indebtedness on investments will not be able to be refinanced; or the risk that the future terms of such refinancing will not be as favorable as the terms of the existing indebtedness.

We evaluate not only the level of proceeds (loan-to-cost, loan-to-value, etc.) but also pay careful attention to more subtle covenants and terms associated with such leverage, including (but not limited to) recourse, fund guarantees, interest coverage tests, the use of repo lines and other short-term financing, fixed vs. floating rate strategies, cross-collateralization, and term. We prefer strategies that utilize no or limited debt financing for non-stabilized assets, and focus the use of leverage on stabilized, cash-flowing properties and portfolios.

Beyond leverage, however, we are keenly aware of many of the other risks associated with investment, including market risk, assets risk, currency risk and manager risk, among many others. All of these risks are ones we help our clients evaluate to make sure that they are compensated for all risks in a particular investment.

The success of recommended investments and their operating results are dependent on the ability of a manager to source attractive investments and a manager's ability to identify,

ALIGNIUM, LLC

structure, consummate, leverage, manage and realize returns on attractive investments. In general, the availability of desirable investment opportunities and, consequently, investment returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for investment opportunities, the supply of capital for such investment opportunities, the level of government involvement in capital markets, and the enactment of legislation changing tax and accounting rules historically favorable to investments in real estate.

Private real estate and real assets investments are not always registered under U.S. federal securities act or under any applicable state securities laws, nor are any such registration contemplated. No public market for these interests will likely develop, and the sale or transfer of these interests may be subject to certain restrictions contained in a subscription agreement. Consequently, investors may not be able to liquidate their investment in the event of liquidity needs or for any other reason. Purchase of private real estate and real assets interests is suitable only for persons who have little to no need for liquidity with respect to their investment.

Some recommended investment funds may make investments in non-performing or other troubled assets that involve a degree of financial risk. There can be no assurance that a fund's objectives will be realized or that there will be any return of capital. Furthermore, real estate investments recommended by Alignium may also have the following risks:

Development Risk

A recommended manager may invest in real estate investments comprised of properties under development. Purchasing property prior to completion of development and construction, or making loans relating to properties under development, is subject to greater risks than the purchase of properties with operating histories or making loans relating thereto.

In connection with the purchase of or making loans with respect to properties under development and construction, an investment will be subject to certain risks, including, the risks of unanticipated delays in, or increases in the cost of, development and construction as a result of factors beyond the control of a manager. These factors may include, but are not limited to: strikes, adverse weather, material shortages, building restrictions, clearances, environmental impact studies, solvency of the contractor or subcontractors and increases in the cost of labor and materials. In addition, the contractor may not be able to build in conformity with plans and specifications, and the property may not be rented for the amounts or within the timeframe originally projected.

Additional risks may be incurred where a fund makes periodic progress payments or other advances to contractors prior to completion. Furthermore, the price paid for a property upon which improvements are to be constructed or completed are based upon projections of rental income and expenses or of the fair market value of the property upon completion of construction. Whether the property will operate at such projected income and expense levels or achieve such projected fair market value cannot be determined in most cases until after completion of construction and a number of months of actual operation.

Asset and Market Risks

A manager may invest in properties, which subjects an investment to acute and macroeconomic risks. There are a large number of risk factors associated with investments in real estate and real assets, including: the impact of economic activity on the local market and the building's tenants; the quality and creditworthiness of a building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, appearance, location, access to transportation and ability to offer certain amenities, such as sophisticated building systems and/or business wiring requirements); the physical attributes of the building with respect to the technological needs of the tenants, including the adaptability of the building to changes in the technological needs of the tenants; the diversity of a building's tenants (or reliance on a single or dominant tenant); the availability of sublease space; the desirability of the area as a business location; the strength, nature and unemployment rates of the local economy, including labor costs and quality, tax environment and quality of life for employees; and an adverse change in population, patterns of telecommuting or sharing of space and employment growth (which creates demand for space).

To the extent any of such risk factors are heightened or the conditions associated with such risk factors deteriorate, an investment may incur losses.

Disciplinary Information

Item 9. A., 9. B., and 9. C.

Alignium has never been involved in any litigation or legal proceedings or any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, self-regulatory agency, or any foreign financial regulatory authority. No Alignium professionals have ever been party to any lawsuit or legal matter involving their delivery of advisory or professional services. Alignium and its owners and employees are not, nor have they ever been subject to, any legal or disciplinary events that would be material to its business or to a client's or prospective client's evaluation of its business.

Other Financial Industry Activities and Affiliations

Item 10. A. B. C. D.

Alignium does not have other financial activities or affiliations aside from its advisory business. No Alignium employees are currently registered as a broker-dealer or representative of a broker-dealer.

Alignium receives no compensation from investment advisers or managers we recommend and our sole source of revenue is from our clients directly.

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

Alignium has an uncompromisingly high Code of Ethics and endeavors to avoid any actual or perceived conflicts of interest. Conflicts of interest arise when a person or firm is involved in an activity or has a personal interest that might interfere with that person's or firm's objectivity or independence in performing his/her or its duties and responsibilities to clients. Accordingly, Alignium prohibits any such activity or personal interest.

Alignium has adopted a Code of Ethics that governs firm personnel conduct, which Alignium will provide a copy of to any client or prospective client upon request. Alignium does not receive fee revenue or soft dollar remuneration from investment managers. Alignium does not invest in transactions or with managers that it recommends to clients.

**Brokerage Practices
Item 12.**

Alignium does not recommend broker-dealers for client transactions. Alignium receives no commissions or soft dollar benefits.

**Review of Accounts
Item 13.**

Alignium's services are limited to real estate and real assets (e.g., infrastructure, timber and agriculture) related consulting as previously described. Alignium reviews client accounts on a continual basis and provides written performance measurement services to clients with respect to their real estate and real assets portfolios. With regard to investment policies and strategic plans, Alignium reviews such plans with clients on a regular basis.

**Client Referrals and Other Compensation
Item 14.**

Alignium does not compensate any third-party for client referrals, nor receive any compensation from third-parties for referrals.

**Custody
Item 15.**

With respect to advisory clients, Alignium does not have direct custody of client assets or funds. In one instance for one of our clients (as of March 9, 2018), we have indirect custody of client funds. These funds are related to a real estate partnership in which the client has

ALIGNIUM, LLC

engaged Alignium to serve in a fiduciary capacity and coordinate services related to the real estate asset, such as annual audits, tax services, and administration with third party firms. In this instance (and in any other future instances), all client funds are held with an unaffiliated, qualified custodian. Our advisory clients receive account statements directly from the financial institution serving in an unaffiliated qualified custodian capacity and the partnership receives an annual independent audit from a PCAOB-registered accounting firm in accordance with U.S. GAAP.

Investment Discretion

Item 16.

Alignium does not currently offer discretionary consulting services to clients. All advisory services are provided on a non-discretionary basis.

Voting Client Securities

Item 17.

Alignium does not have authority to vote client interests with respect to client-owned securities. When requested by clients, we may represent client interests on investor advisory boards of private real estate and real assets vehicles.

Financial Information

Item 18.A.

Alignium does not solicit fees six months or more in advance from our clients. We are typically paid in arrears on a quarterly or monthly basis.

Item 18.B.

Alignium does not currently have any discretionary authority.

Item 18.C.

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

Requirements for State-Registered Advisers

Item 19.

Not Applicable.