

Item 1- Cover Page

FIRM BROCHURE
(PART 2A OF FORM ADV)



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This Brochure provides information about the qualifications and business practices of Albany Road Real Estate Partners, LLC (“Albany Road”).

If you have any questions about the contents of this Brochure, please contact Gail Hardy at 617-279-2360 or by email at hardy@albanyroadrep.com.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority, and references in this Brochure to Albany Road as a “registered investment adviser” are not intended to imply a certain level of skill or training.

ITEM 2 – MATERIAL CHANGES

Since the last annual amendment of Albany Road’s Form ADV Part 2A filed on March 29, 2019, Albany Road has made the following material changes:

- Item 4: Albany Road previously identified 22 real estate holding entities as separately-managed accounts, however, as the accounts are special purpose vehicles and Albany Road’s advice to them relates only to physical real estate (and not to securities), we no longer believe it is appropriate to treat them as advisory clients. To reflect this change, deletions have also been made to Items 5, 6, 7, 8, 11, 13, 14 and 16.
- Item 4: Albany Road held its first close for Albany Road Real Estate Fund III LLC (“Fund III”) on February 27, 2020 with total committed capital of \$169.6 million.
- Item 4: The amount of client assets managed has been updated as of December 31, 2019.
- Item 5: Albany Road added disclosure language describing the carried interest calculation for Fund III.
- Item 8: Albany Road has added a disclosure addressing “unforeseen risks.”

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ITEM 4 – ADVISORY BUSINESS

Albany Road Real Estate Partners, LLC, a Delaware Limited Liability Company formed in July 2012, is a private equity real estate investment firm. Albany Road Investment Advisers, LLC (“Albany Road” or the “Adviser”) is a wholly owned subsidiary of Albany Road Real Estate Partners, LLC.

Christopher Knisley, Steve Strandberg, Mark McInerney, and Clark Callander, compose Albany Road’s Board of Managers. The principal owner of Albany Road is Christopher Knisley.

Albany Road provides investment advisory services to Albany Road Real Estate Fund II LLC (“Fund II”) and Fund III, which are private pooled investment vehicles (each a “Fund” and collectively, the “Funds”). The objective of the Funds is to pursue investment opportunities in commercial real estate in the \$20,000,000 to \$50,000,000 range. The Funds will pursue a variety of product types, including assets across the office spectrum (urban, suburban, and medical), and the industrial spectrum (warehouse, distribution, flex, R&D, and self-storage).

Albany Road also provides discretionary investment advisory services to real estate holding entities that may be considered as separately-managed accounts (the “Accounts”). The Accounts generally seek members after an investment opportunity in commercial real estate has already been identified.

The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and offer securities that are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Albany Road Ref II Manager LLC and Albany Road REF III Manager LLC are Delaware limited liability companies and affiliates of Albany Road serving as the managers of Fund II and Fund III, respectively (the “Managers”). The Managers are related persons of Albany Road and are under common control with Albany Road. The Managers are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Managers, operating as a single advisory business together with the Adviser.

The respective manager of each Fund has complete discretion and exclusive responsibility and authority for all investment making decisions of such Fund. The investment objectives of the Funds are set forth in its private placement memorandum, LLC operating agreement, subscription agreement, and/or related agreements (“Governing Documents”) that specify the specific investment guidelines and investment restrictions applicable to each Fund.

Albany Road tailors its investment advice to the Funds in accordance with the Funds’ investment objectives and strategy as set forth in the Funds’ Governing Documents. Albany Road typically does not tailor its advisory services to the individual needs of private fund investors (“Investors”) and, except as noted below, does not accept any sort of investment restrictions from Investors as it relates to the Fund.

Generally, the Investors in each Fund are not able to negotiate the terms of each Fund’s Governing Documents in connection with their investments in such Fund. In certain cases, the Manager has entered into side letter agreements with certain Investors in a Fund establishing rights under, or supplementing or altering the terms of, each Fund’s Governing Documents. Such rights and privileges may not be available to other Investors (including without limitation, transparency rights, reporting rights, capacity rights, approval rights and certain other protections and the right to receive certain special allocations).

Albany Road does not participate in wrap fee programs.

As of December 31, 2019, Albany Road managed \$173,165,000 of client assets on a discretionary basis. Albany Road does not currently manage any client assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Fund Fees

Albany Road is compensated through the payment of management fees (the “Management Fee”), acquisition fees upon the closing of investments made by the Funds (the “Acquisition Fee”), and performance-based performance allocations (“Carried Interest”) by the Funds. The following is a description of the fees charged to the Funds. The Funds’ Governing Documents describe the fees in further detail.

Management Fee

Albany Road (or its affiliates) receives an annual Management Fee. Generally, during the term of each Fund (including extension periods) or, as applicable, during the period prescribed in each Fund’s Governing Documents during which the Funds are permitted to make investments (the “Investment Period”), the Funds pay Albany Road a Management Fee, payable quarterly in advance, of 1.5% initially. Management Fees are reduced after the applicable Investment Period as further described in each Fund’s Governing Documents. The Funds will also pay Albany Road (or its affiliates) an Acquisition Fee for each portfolio investment made by the Funds, where that fee will range between 1.00% and 2.00% based on the investment size.

The Management Fee and Acquisition Fees paid to Albany Road are not negotiable after they have been documented in the Funds’ Governing Documents. However, pursuant to the Funds’ Governing Documents, the Management Fee and Acquisition Fees and/or Carried Interest (and related distributions) may be (and have been) waived and/or reduced at the discretion of the Manager.

Carried Interest

Generally, all net distributable proceeds from a sale, refinancing or other liquidity event of a Fund’s investment, and at liquidation, shall be paid or distributed, as the case may be, in the following order of priority:

Fund II:

- Return of Capital Contributions. First, to each Investor (including the Manager) an amount equal to their aggregate capital contributions;
- Preferred Return. Next, to each Investor (including the Manager) an amount until such Investor has achieved a 10% annually compounded preferred return with respect to the Investor’s aggregate capital contributions; and
- Profit Split and Carried Interest. Then 80% to all Investors (including the Manager) and 20% to the Manager (in its capacity as Manager); however, upon all the Investors (including the Manager) receiving an amount equal to a 20% annually compounded return with respect to such Investors’ aggregate capital contributions (that is, a 20% return hurdle), then 65% to all the Investors (including the Manager) and 35% to the Manager.

Fund III

- Return of Capital Contributions. First, 100% to each Investor (including in each instance the Manager) until the cumulative amount distributed to such Investor is equal to such Investor’s unrecovered capital contribution;
- Preferred Return. Second, 100% to such Investor until the cumulative amounts distributed to such Investor equal such Investor’s preferred return;
- Manager Catch-up. Third, 50% to such Investor, and 50% to the Manager until the Manager has received cumulative distributions (other than in respect of its Investor Interest) equal to 20% of the aggregate distributions made to such Investor pursuant to the combination of the Preferred Return

clause above and this Manager Catch-up clause; and

- Post Catch-up Allocation. Thereafter, (A) 80% to such Investor, and (B) 20% to the Manager.

Other Fees

Albany Road and its affiliates may receive compensation for services rendered in connection with the organization, acquisition, development, operation, management and disposition of Properties in which the Funds will invest, including acquisition fees, investment management fees and other customary amounts payable to or earned by promoters and affiliates of promoters of real estate investments, together with and in addition to carried interests or promoter distributions of cash flow and capital proceeds. Although the Funds may benefit from an offset in Management Fees related to these payments, the Funds may not share or otherwise benefit from any of these fees, interests or distributions payable to Albany Road or its affiliates with respect to any Property. The existence of such fees and the Carried Interest may create an incentive for the Manager to make riskier or more speculative investments on behalf of the Funds than would otherwise be the case.

It is important that all prospective Investors refer to the applicable Governing Documents for a complete understanding of how the Adviser and the Manager are compensated for services related to the Funds. This is particularly true with respect to performance-based compensation. The information contained herein is a summary only and is qualified in its entirety by such documents.

Expenses

Albany Road will pay for all of its own normal day-to-day operating expenses, such as compensation of its professional staff, and the cost of office space, office equipment, communications, utilities and other such normal overhead expenses.

Subject to the Funds' Governing Documents, the Funds shall be responsible for all expenses related to the Funds and its activities, including, without limitation, making, managing and exiting the Funds' investments, and similar costs. These costs include legal, accounting, consulting, printing, distribution, travel, meals, due diligence costs, administrative, organizational dues (subject to limitations as fully described in the Governing Documents) and other expenses associated with raising capital, organizing, forming, and marketing the Funds.

The Funds will pay directly or reimburse Albany Road or its affiliates for all expenses relating to the acquisition, ownership and operation of the Funds or its investment properties including, without limitation, legal, auditing, accounting, loan servicing expenses, and tax preparation services (whether paid to a third party or provided by an affiliate based on market rates), costs related to the investigation, purchase or sale (whether or not consummated) and holding of investments, travel, meals, financial research, market analysis, risk management, interest on borrowed funds, taxes, the cost of property and liability insurance, directors' and officers' liability insurance and indemnification expenses, and extraordinary expenses such as litigation and expenses associated with the meetings of the Manager. Any third-party expenses incurred in connection with transactions not consummated (i.e., "broken deal" expenses) shall be borne by the Manager. Expenses incurred by the investment properties, including property management fees to third parties, will be borne by those respective investment properties.

If any Fund expenses are associated with two or more Funds, such expenses will typically be allocated by the applicable managers according to the relative aggregate capital commitments of the applicable funds, usage of the applicable funds, or other such criteria subject to the discretion of those managers.

Investors may not withdraw from their respective Fund prior to dissolution and may not transfer any of their interest rights or obligations under the Fund without the prior written consent of Albany Road or the Manager, as applicable. As such, there is no need for a refund mechanism.

Albany Road, or the Manager, deducts fees applicable to the Funds (and Investors) directly from the Funds' assets.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Manager may receive a performance allocation (“Carried Interest”) from the Funds. The Carried Interest calculations for Fund II and Fund III are detailed above in Item 5.

The fact that affiliates of Albany Road receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Albany Road to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to the Funds and the risks associated with such performance-based compensation prior to making an investment.

Albany Road recognizes that it is a fiduciary and that it must treat both Funds fairly. Additionally, Albany Road believes this incentive is mitigated because the Manager (and their principals) also invest in the Funds, so that their interests are aligned with the interests of the Investors in the Funds.

Please refer to the Fund’s Governing Documents for complete information on the fee arrangements relating to the Funds.

ITEM 7 – TYPES OF CLIENTS

Albany Road provides investment advisory services to the Funds, as described in Item 4, above. The Funds' interests are offered only to Investors meeting certain suitability requirements, as described below. Generally, Albany Road requires that each investor in the Funds be (i) an "accredited investor" as defined in Regulation D under the Securities Act of 1933, and/or a "qualified purchaser" or "knowledgeable employee", within the meaning of the Investment Company Act of 1940, as amended, and (ii) a "qualified client", within the meaning of the Investment Advisers Act of 1940, as amended. Minimum investment commitment for the Funds is \$500,000. The Managers of the Funds, in their sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the private placement memoranda of the Funds.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The following summarizes the methods of analysis and investment strategies used by Albany Road in formulating investment advice.

There can be no assurance that Albany Road and the Advisory Clients will achieve their investment objectives or that the investment strategies employed by Albany Road will be successful. Investing in securities involves a risk of loss the Investors and Accounts should be prepared to bear.

Albany Road focuses on investing in commercial real estate. The Advisory Clients will pursue a variety of product types, including assets across the office spectrum (urban, suburban, and medical), and the industrial spectrum (warehouse, distribution, flex, R&D, and self-storage).

For a more detailed disclosure of the potential risk factors associated with investing in the Advisory Clients, prospective Investors or Accounts should refer to each Advisory Client's relevant Governing Documents. They should carefully consider the risk factors, together with all of the other information included in the Governing Documents before deciding to purchase the interests.

GENERAL RISKS RELATED TO INVESTMENTS IN REAL ESTATE.

Economic Conditions. Real property investments are subject to varying degrees of risk. Real estate investment values are affected by a number of factors, including changes in the general national or international economic climate, local conditions (such as oversupply of space or reduction in the demand for space), the quality of management, competition based on rental rates, attractiveness and location of the properties, population trends, neighborhood values, community conditions, local employment conditions, financial condition of tenants, quality of maintenance, insurance and risk management services, risks due to dependence on cash flow, changes in operating costs, natural disasters, uninsured losses and other factors which are beyond the control of, or not foreseen by, the applicable manager. Real estate investment values are also affected by such factors as governmental regulations, interest rate levels, the availability of financing, and potential liability under changing laws. Certain expenses related to real estate investments and its ownership tend to increase over time and are largely beyond the control of the owner, including property taxes, utility and energy costs, maintenance costs and insurance. There can be no assurance of profitable operations because the cost of owning and operating the properties may exceed the income produced.

Unforeseen Risks. The Funds may be subject to unforeseen risks, including political events, terrorism, fraud, acts of God, fire, flood, earthquakes, and outbreaks of an infectious disease, pandemic or any other serious public health concern. These unforeseen risks may have a negative effect on the performance of the Funds' investments.

Failure to Generate Sufficient Cash Flows From Operations May Reduce Distributions. The Funds intend to rely solely on cash flow from operations to make distributions until the properties held by the Advisory Clients are ultimately sold (or, potentially, refinanced). Cash flow from the Funds depends on the amount of revenue generated and expenses incurred in operating the properties. The revenue generated and expenses incurred in operating the properties depends on many factors, some of which are beyond the Funds' or manager's control. For instance, rents from the properties may not increase as expected. If the properties do not generate revenue sufficient to meet operating expenses, debt service and capital expenditures, a Fund's cash flows and ability to make distributions will be adversely affected.

Volatility in Sales Market. The price that the Funds will be able to obtain when a manager determines to sell or otherwise dispose of any of the properties will depend on many factors that are presently unknown, including the operating history, tax treatment of real estate investments, demographic trends in the area and available financing.

The Due Diligence of the Properties Is Limited in Scope, Including With Respect to Environmental Issues. A manager will undertake a due diligence review process regarding the properties in accordance with the Funds' standard practices and procedures. Due diligence reviews are not exhaustive by their nature and rely heavily on investigations by third parties and reviews of records of other parties including governmental agencies. There can be no assurances that such investigations will be properly conducted or that such investigations and records will reveal all liabilities and risks that could have a material adverse effect on the properties. Among other things, this due diligence review could fail to uncover environmental issues relating to the properties or could not properly assess the risks associated with existing conditions. Liability for such matters could be imposed on the Funds' subsidiaries in certain circumstances, even if they were not responsible for, and had no knowledge of, such environmental conditions.

Limited Representations and Warranties. The Funds may acquire properties with only limited or in some cases, no representations and warranties from the sellers regarding the condition of the properties, the presence of building defects, natural hazards, nuisances or hazardous substances, or other matters affecting the use or ownership of the properties. As a result, if defects in a property or other matters adversely affecting the property are discovered, the Funds may not be able to pursue a claim for damages against the original sellers of the property. The extent of damages that the Funds may incur as a result of such matters cannot be predicted, but potentially could result in a significant adverse effect on the value of the Funds' assets.

Effect of Market Conditions on Holding Periods. The determination of when a particular property should be sold will be made by a manager in its sole discretion and consideration of relevant factors, including existing economic conditions, real estate and capital market conditions. While a manager expects that the Funds will sell its properties for cash, market conditions may require the Funds to carry back financing or other indebtedness in lieu of immediate total cash payment on the sale price of a property. Depending on market conditions at the time when a property is liquidated, the terms of repayment of any such debt could be disadvantageous to the Funds.

Delays. Any delays encountered by the Funds in the selection, acquisition, renovation and enhancement of properties could adversely affect Investor returns. The Funds may not be able to obtain permits, complete the work or obtain third party or governmental approvals necessary to realize desired returns on portfolio investments.

The Funds May Suffer Losses That Are Not Covered by Insurance. If the Funds suffer losses that are not covered by insurance or that are in excess of insurance coverage, the Funds could lose invested capital and anticipated profits. In addition, if the insurance market changes, or the Funds makes claims on its insurance, among other factors affecting insurance rates, the Advisory Clients may not be able to renew or place new insurance on acceptable terms, if at all. Failure to carry appropriate insurance could significantly increase the Funds' liability in the event of torts or other actionable events occurring on the properties that affect tenants or third parties thereon, or in the event of damage to the properties.

Unavailability of Funds for Necessary Capital Improvements. In order to attract tenants, the Funds may be required to expend funds for capital improvements. In addition, the Funds may require substantial funds to renovate the properties in order to sell them, upgrade them or reposition them in the market. If there are insufficient capital reserves, financing from other sources will have to be obtained. There can be no assurances that sufficient financing will be available or, if available, will be available on economically feasible terms or on acceptable terms. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future capital improvements. Additional borrowing will increase interest expense, therefore, the Funds' financial condition and ability to make cash distributions may be adversely affected.

INVESTMENT RISKS.

Past Performance. The investment track record of Albany Road is based on investments made at different times, under different economic circumstances, and in different assets, than some of the investments to be completed by the Funds. Past performance of Albany Road should not be relied upon to predict the performance of the Funds.

Determination of price for the Fund's Interests. There is presently no market, public or private, for the Funds' interests (the "Interests"). The offering price of the Interests has been arbitrarily determined by the Manager. The offering price of the Interests is no indication of their value or the value of the Funds. No assurance is or can be given that the Interests, if transferable, could be sold for the offering price or for any amount.

Lack of Prior Operating History. While the principals of Albany Road have prior experience in real estate investing through the Accounts, the Funds and the Managers are both newly formed entities and may be unable to successfully operate the Funds' businesses or achieve its investment objectives. Similarly, the past performance of the Accounts may not be indicative of the performance the Funds may achieve. At various points through the Funds' investment periods, the Funds may have no income, cash flow, funds from operations or funds from which it can make distributions. The Funds may not be able to conduct their business as planned and/or successfully carry out their business as planned.

Inability to Predict Availability of Cash for Distribution. The respective manager of each Fund will determine the amount and timing of any distributions, which are dependent on the respective Fund receiving distributions from its subsidiaries or other holdings. In making this determination, the applicable manager will consider relevant factors, including the amount of cash available for distribution, capital expenditure and reserve requirements, re-investment opportunities and general operational requirements. There can be no assurances as to how long it may take to generate sufficient available cash flow to fund distributions, or that sufficient cash will be available to make distributions. The Funds may borrow funds, return capital or sell assets to make distributions. The respective managers of the Funds cannot predict the amount of distributions an Investor may receive and whether the Funds may be unable to pay, maintain or increase distributions over time.

Dependence on Meeting Capital Calls. Failure of an Investor to meet a capital call within the required time period will constitute a default and will subject that Investor to the penalties called for under the Governing Documents. In addition, the Funds' ability to efficiently execute on the acquisition of properties depends on multiple factors, including the timeliness of each of the Investors in meeting capital calls. If sufficient number of Investors fail to meet a capital call, the Funds may have to default under a purchase contract for a property, which may cause the loss of any earnest money deposited in connection therewith and to suffer other business losses.

Limitations on Obligations to Provide Capital. If all capital subscribed for has been called and received by the Funds, the Funds will not be able to require the Investors of the Funds to invest additional capital.

Illiquidity. It is expected that the entire portfolio of the Funds will consist of properties that are illiquid or for which a secondary market is not readily available. Liquidity refers to the ability of an asset to readily be converted into cash. Unlike publicly traded stocks and other liquid investments, it takes considerable time and effort to market and sell real estate investments. This illiquidity increases the risk that an investment of the Funds will not be converted into cash within an acceptable period of time.

RISKS RELATED TO THE STRUCTURE AND MANAGEMENT OF THE FUNDS.

Control by the Respective Managers. Although all Investors will have certain rights afforded by Delaware law, such rights are very limited and each Investor should be aware that, for all intents and purposes, control

of the Funds will be vested solely in the respective manager of each Fund. Except as otherwise required by Delaware law, the Investors will have no right to participate in the management or conduct of the affairs of the Funds.

Limited Liability of the Respective Managers. Pursuant to the Governing Documents, the respective Managers of the Funds, and their principals and other affiliates, will not be liable to the Funds or any Investors for any losses, judgments, liabilities, expenses (including attorneys' fees) and amounts paid in settlement of claims unless such party's course of conduct was taken in bad faith or constituted gross negligence or willful misconduct. Thus, Investors will have limited recourse against those parties. The Governing Documents also provides that the Funds will indemnify and hold harmless the respective managers, and their principals and other affiliates, from and against any and all losses, judgments, liabilities, expenses (including attorneys' fees) and amounts paid in settlement of claims sustained by such party with respect to any matter for which such party is not liable to the Funds (based on the preceding sentence), or any authorized actions taken by such party on behalf of the Funds.

Dependence on the Respective Managers. The Funds are dependent on the respective managers to manage the operations of the Funds. These managers will make all decisions with respect to the management of the Funds. These managers will depend on the fees and other compensation received from the Funds to conduct operations. Any adverse changes in the financial condition of, or our relationship with, the respective managers or their affiliates could hinder their ability to successfully manage our operations.

Reliance on Key Personnel. The Funds will be managed exclusively by the respective manager of each Fund and that manager will be relying extensively on the experience, relationships and expertise of Albany Road's principals and team of professionals. Some of those persons will be Investors in the Funds through their interests in that manager, and it may not be possible to replace certain key individuals should one or more of them cease to be involved with Albany Road for any reason. The loss of the services of key personnel of Albany Road, particularly those of Christopher J. Knisley, who is under contract with both managers, could have a material adverse effect on the operations of the Funds because the Funds would have a diminished capacity to obtain real estate investment opportunities, and its asset management function may suffer as well.

The Funds intend to contract with outside property managers or other providers, for property management services at all properties. The performance of the Funds will depend to some extent on non-affiliated property managers, or another provider, properly managing the properties. If any disruption should occur in the property managers, or another provider's, provision of property management services, adverse consequences may result to the affected properties and the Funds.

The future success of the Funds depends upon the respective managers' and the property managers' ability to hire and retain or contract with highly skilled managerial and operational personnel. Competition for such personnel is intense, and there can be no assurances that these managers or the property managers will be successful in attracting and retaining such skilled personnel. If these managers or the property managers lose or are unable to obtain the services of key personnel, the ability to implement the investment strategies of the Funds could be delayed or hindered, and the value of Funds' investments may decline.

Risks of Unspecified Investments. Prospective Investors do not have information as to the identification or location of any specific properties, investment opportunities or investment terms, or the financing terms or other economic and financial data with respect to the properties to be acquired by the Funds, to assist them in evaluating an investment in the Funds. Investors must depend on the ability of the Managers with respect to the identification and selection of the Funds' properties. Also, because the Funds' acquisition of properties may occur over the investment periods, the Funds faces the risks of changes in long-term interest rates and adverse changes in the real estate market. There can be no assurance that any properties acquired by the Funds will ultimately meet the Funds' investment objectives, or that desirable properties can be made on financially attractive terms. Accordingly, there can be no assurance as to when the proceeds of the offering may be fully invested in suitable properties.

Lack of Diversification. The Funds will primarily invest in real estate. To the extent that industry suffers a systematic decline or adverse consequences for any reason, the Funds will likely face diminished results.

Lack of Transferability and Associated Risks. The transferability of the interests by Investors is severely restricted by relevant securities laws and by the terms of the Governing Documents. Since the interests are not being registered, they cannot be resold readily by an Investor. The Funds are not obligated to register, and will not register, the interests to permit resales. The fact of non-registration makes the interests extremely illiquid and would impair the ability of an Investor or his/her estate to dispose of his/her interests in the event of a change in personal circumstances. Additionally, the Governing Documents impose certain additional restrictions on transferability of the interests, as more particularly set forth therein, including the necessity to obtain the consent of the applicable manager for any transfer. Accordingly, the purchase of the interests must be considered a long-term illiquid investment acceptable only for Investors who are willing and can afford to accept and bear the substantial risks of the investment for an indefinite period of time.

Potential Losses on Dissolution and Termination of the Funds. In the event of a dissolution or termination of a Fund, the proceeds realized from the liquidation of the assets of the Fund will be distributed among the Investors, but only after the satisfaction of the claims of third-party creditors, including claims by any lenders and certain fees owed to the respective manager or its affiliates. The ability of an Investor to recover all or any portion of such Investor's investment under such circumstances will, accordingly, depend upon the amount of net proceeds realized from such liquidation and the number of claims to be satisfied. Albany Road cannot assure that the Funds will recognize gains on such liquidation.

Exculpation and Indemnification. The Governing Documents set forth the circumstances under which the respective managers, their affiliates and their directors, officers, partners, members, employees or agents are excused from liability to the Funds for damages or losses that the Funds may incur by virtue of any such person's performance or services for the Funds. As a result, the Funds and the Investors may have limited rights against these persons. In the event that a claim is made against a Manager, its affiliates or directors, officers, partners, members, employees or agents, such persons may be entitled to be indemnified by the Funds, in which case the assets of a Fund could be used to indemnify such persons for amounts incurred in connection with such claim. In certain cases, previous distributions to Investors may be recalled to cover such indemnification obligations of the Fund.

Liability for Return of Distributions. If a Fund is otherwise unable to meet its obligations, the Investors may under applicable law be obligated to return, with interest, cash distributions previously received by them to the extent such distributions are deemed to constitute a return of their capital contributions or are deemed to have been wrongfully paid to them. In addition, an Investor may be liable under applicable federal and state bankruptcy laws to return a distribution made during a Fund's insolvency or within a certain time period prior thereto.

RISK RELATED TO DEBT FINANCING.

Use of Leverage Generally. The acquisition of the properties may be financed in substantial part by borrowing, which increases the exposure to loss. The use of leverage will increase the amount of funds available to the Funds, but will also increase the risk of loss. The use of leverage involves a high degree of financial risk and may increase the exposure of such an investment to factors such as rising interest rates or downturns in the economy. Market fluctuations may significantly decrease the availability of and increase the cost of leverage.

Lenders' Seniority. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from the properties. In the event any property suffers an impairment to its value, the holders of the indebtedness must be repaid in full (including any costs of collection and other losses suffered by the lenders, and potentially default interest at a higher interest rate) before a Fund will receive any return from such property. Depending on the level

of leverage and decline in value, if mortgage payments are not made when due, one or more of the properties may be lost (and a Fund's investment therein rendered valueless) as a result of foreclosure by the mortgagee(s). A foreclosure may also have substantial adverse tax consequences.

Balloon Financing. Mortgages requiring balloon payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan since the ability to repay the outstanding principal amount of a balloon loan may be dependent on the ability to obtain adequate replacement financing. There is no assurance that such replacement financing will be available on favorable terms.

Portfolio Financings, and Potential Cross-Collateralization with Other Assets. Since the Funds may engage in portfolio level financing (i.e., loan arrangements secured by mortgages on more than one property), several properties may be cross-collateralized and subject to increased risks of loss. If a Fund agrees to recourse debt guaranteed by the Fund, or to debt secured by the entire portfolio of the Fund, then all of the assets of the Fund will be subject to additional risk of loss. In addition, if a Fund and other Albany Road affiliates were to agree to indebtedness secured by some or all of their assets as a portfolio, then that borrower would be exposed to risk of loss tied to the failure or lack of sufficient performance by real estate investments in which it has no economic interest.

Hedging Risks. In connection with the financing of certain properties, the Funds may employ hedging techniques designed to protect the Funds against adverse movement in interest rates. While such transactions may reduce certain risks, such transactions themselves entail certain other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates or other factors may result in poorer overall performance for the Funds than if it had not entered into such hedging transactions.

RISKS RELATED TO CONFLICTS OF INTEREST.

Each Fund will be the primary investment vehicle during each Fund's respective investment period as to office and industrial properties for Albany Road, the Manager and their principals. However, conflicts may arise in instances where the interests of the Manager and its affiliates may conflict with the interests of the Funds and their Investors. The Accounts will not invest in similar properties during the Fund's investment period.

Albany Road and its principals have ownership interests and management responsibilities in other businesses besides the Manager, including the Accounts. In addition, Albany Road may identify non-conforming opportunities that might be attractive investment prospects for the Funds, but which do not meet the Funds' parameters. In such case, the Manager would first present any such investment opportunity to the Investors for a determination of whether a Fund should invest in the non-conforming opportunity, and then follow the other steps as outlined in each Fund's Governing Documents; provided, however, that, as noted above, a Fund will be the primary investment vehicle during each Fund's investment period as to office and industrial properties for Albany Road, the Manager and their principals. Such other business activities, including the Accounts, will continue to exist, and may increase during the life of a Fund, including real estate acquisition, financing and management of real estate investments not part of a Fund, some of which may be competitive with the Fund. Key personnel of the Manager will devote time to the management and operations of such activities, which may create conflicts in the allocation of management resources. During times of intense activity in other programs and ventures, key personnel may devote less time and fewer resources to a Fund's business than are necessary or appropriate. Although the Manager has fiduciary and other duties to the Funds, Albany Road itself owes no direct duty to the Investors or the Funds.

The Manager, Albany Road and its affiliates may have differing interests or economic goals than the Investors. Albany Road and its affiliates may receive compensation for services rendered in connection with the organization, acquisition, development, operation, management and disposition of properties in which the Funds will invest, including acquisition fees, investment management fees and other customary amounts

payable to or earned by promoters and affiliates of promoters of real estate investments, together with and in addition to carried interests or promoter distributions of cash flow and capital proceeds.

The Funds will not share in any of these fees, interests or distributions payable to Albany Road or its affiliates with respect to any property. The existence of such fees and the Carried Interest may create an incentive for the Manager to make riskier or more speculative investments on behalf of the Funds than would otherwise be the case.

In addition, prospective Investors should recognize that neither the Manager nor Albany Road or their affiliates will have any obligation to make available to the Funds any particular investment in any particular real estate investment, and that neither Albany Road nor its affiliates will have any obligation to refrain from soliciting equity capital from sources other than a Fund after the investment period. The Governing Documents provide that the Investors specifically waive any and all causes of action against the Manager, Albany Road, and their respective affiliates, owners, officers, directors and employees regarding these matters and the potential conflicts arising there from.

Albany Road and its affiliates may directly or indirectly acquire, own, operate, manage and dispose of properties in the vicinity of properties owned by affiliates of the Funds. It is possible that the value of the former properties may be enhanced by their proximity to the properties owned by the Funds, or that such properties may be in competition for prospective tenants or prospective purchasers with properties owned by the Funds. However, during each Fund's investment period, Albany Road will not be permitted to acquire any properties or portfolio that meet the Fund's parameters unless the Fund first declines to make such an acquisition.

The properties acquired by the Funds may be sold as part of a large portfolio, including with other properties acquired by the Accounts. In such event, it is anticipated that each Fund's Advisory Board will determine the proper allocation between Fund and non-Fund properties and addressing any perceived conflicts of interest.

The Manager will attempt to resolve any conflicts of interest between the Funds and others (including the Accounts) with respect to these matters by exercising the good faith required of fiduciaries. The Manager believes that it will generally be able to resolve such conflicts on an equitable basis.

The Funds, the Manager and Albany Road are all represented by only a few counsel, which counsel is not representing the other Investors. Prospective Investors should seek individual counsel if they so desire.

The above discussion only addresses certain potential conflicts of interest, and others may exist or come to exist during each Fund's period of investment.

ITEM 9 – DISCIPLINARY INFORMATION

Albany Road is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Albany Road or the integrity of Albany Road's management. Albany Road has no legal or disciplinary information to disclose at this time.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Albany Road nor any of its management persons is registered, or has an application pending to register, as: (i) a broker-dealer; (ii) a registered representative of a broker-dealer; (iii) a futures commission merchant; (iv) a commodity pool operator; (v) a commodity trading advisor; or (vi) is an associated person of any of (iii), (iv) or (v).

The Board of Managers of Albany Road serve as managing members to the Funds' Managers. As described in Item 6, the Managers are entitled to receive performance-based compensation from the Funds, which may in certain circumstances create a conflict of interest.

Assets based on fair value methodology are valued based on the Managers' judgment and estimation in accordance with the valuation policies and procedures of Albany Road. Valuation methods, inputs and the pricing of events (such as an impairment, a sale, a recapitalization), that produce a realized or unrealized gain or loss that may be recognized are inherently subjective. There may be situations in which Albany Road's valuation procedures could adversely affect an investor's interest.

Albany Road does not recommend or select other investment advisers for the Funds.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Albany Road's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to Albany Road's "Supervised Persons." Supervised Persons include any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of Albany Road, or other person who provides investment advice on behalf of Albany Road and is subject to Albany Road's supervision and control. In addition, temporary employees and long-term consultants may also be deemed to be Supervised Persons by the Chief Compliance Officer.

The Code sets forth a standard of business conduct that takes into account Albany Road's status as a fiduciary to the Fund and requires Supervised Persons to place the interests of the Funds above their own interests and the interests of Albany Road. The Code requires Supervised Persons to comply with applicable federal securities laws. Further, Supervised Persons are required to promptly bring violations of the Code to the attention of Albany Road's Chief Compliance Officer. All Supervised Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Albany Road's "Access Persons." Access Persons include any member, officer or director of Albany Road and employee who, in relation to the Funds: (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings; or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All of Albany Road's Supervised Persons are considered Access Persons.

Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, Albany Road's Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code also describes Albany Road's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) the Advisory Clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of Albany Road who possess non-public information, whether or not it is material, must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to the Chief Compliance Officer.

Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer.

As explained in Item 10 above, the Managers, which are owned by the Board of Managers and are related persons to Albany Road, serve as the managers of the Funds. The Managers also commit capital to the Funds, and as a result every investment made by the Funds involves a purchase of securities whereby related persons of Albany Road acquire an indirect interest in such securities.

In certain cases, commitments to the Funds made by Albany Road's Board of Managers are not subject to the management or performance-based fees described in Item 5 above. The fact that Albany Road's Board of Managers and Access Persons have financial interests in the Funds could create a potential conflict in that it could cause Albany Road to make different investment decisions than if such parties did not have such financial ownership interests. However, Albany Road believes that these financial interests align Albany

Road's and the Board of Managers' incentives with Investors.

As noted in Item 6 above, performance-based compensation ("Carried Interest") may create an incentive for Albany Road to make investments that are riskier or more speculative than in the absence of such performance-based compensation.

Albany Road, or an affiliate, may offer the opportunity to co-invest in one or more investment properties of the Funds to private Investors. However, participation in co-investment opportunities either directly or through participation in a co-investment vehicle may not be offered to all Investors. To the extent such opportunities are offered, it will be in compliance with the applicable Governing Documents.

Albany Road seeks to address these potential conflicts through regular monitoring of the Funds' portfolios for consistency with objectives, strategies, and target capacity. Further, the Board of Managers carefully considers the risks involved in any investments and Albany Road provides extensive disclosure to Investors regarding the potential risks that come with an investment in the Fund. As stated above, the Code requires Access Persons to place the interests of the Funds over their own or those of Albany Road, and all Access Persons are required to acknowledge their receipt and understanding of the Code.

In addition, the Funds are authorized to have an advisory board (the "Advisory Board"). The Advisory Board is appointed by each Fund's Manager and is comprised of certain Investors in each Fund. The Advisory Board provides such advice and counsel as is requested by the Manager in connection with potential conflicts of interest and other Fund matters.

Albany Road requires that Access Person's transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code which is available to investors upon request. Access Persons are prohibited from investing in portfolio investments outside of their indirect interest through the Fund or Manager.

To the extent Albany Road or its affiliates (including Access Persons) have learned material, non-public information about an issuer of securities, Albany Road will maintain a "Restricted List" with the names of those issuers. Access Persons are strictly prohibited from trading securities on the Restricted List.

In addition, Albany Road receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or her designee reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

ITEM 12 – BROKERAGE PRACTICES

Albany Road invests in private real estate transactions that are not executed on an exchange and does not utilize securities brokers. Notwithstanding the above, in those instances where Albany Road purchases or sells publicly-traded securities, it will, in those circumstances, seek to achieve the “best price and execution.” Although Albany Road generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Albany Road does not participate in any soft dollar arrangements.

Currently, Albany Road provides investment advisory services to Fund II and Fund III. Since Albany Road’s two clients would typically not hold the same security, aggregation of orders for the purchase or sale of securities does not currently apply to Albany Road.

ITEM 13 – REVIEW OF ACCOUNTS

Albany Road focuses on investments primarily in real estate. All investments are under regular review by the Board of Managers of Albany Road. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives. Albany Road considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

As applicable, Investors in the Funds will receive: (i) annual and quarterly summaries of new investments and dispositions made during the period; (ii) annual audited financial statements audited by a nationally recognized, independent public accounting firm; and (iii) annual tax information regarding the Funds necessary for the completion of each Investor's tax return.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Albany Road does not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to the Funds.

Albany Road sponsors the formation of each Fund. Albany Road and its affiliates do not engage or compensate third party referral agents to solicit new Investors.

ITEM 15 – CUSTODY

In accordance with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Albany Road is deemed to have custody of Fund assets because an affiliate of Albany Road serves as the general partner of each Fund. The qualified custodian for the Funds’ assets not invested directly in real estate is First Republic Bank, San Francisco, CA.

To ensure compliance with the Custody Rule, Albany Road will ensure that the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”). Albany Road’s annual audits are conducted by RSM US LLP. The audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles (“GAAP”) and distributed to each Investor within 120 days of each Fund’s fiscal year end.

Investors in the Funds receive periodic statements from Albany Road. These statements should be carefully reviewed. Investors are urged to compare such statements to the information provided in the audited financial statements provided by the Funds’ auditor.

ITEM 16 – INVESTMENT DISCRETION

In accordance with the terms and conditions of the applicable Governing Documents and subject to the direction and control of the Manager of each Fund, Albany Road has discretionary authority to manage the investment activities on behalf of the Funds. As explained in Item 4.C above, the Funds' investment strategy is set forth in detail in each Fund's confidential private placement memorandum. Investors do not have the ability to impose limitations on Albany Road's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective Investors are subject to the applicable Fund's Governing Documents, which include a power of attorney.

ITEM 17 – VOTING CLIENT SECURITIES

It should be noted that given Albany Road's business focuses on real estate investing, it is anticipated that it will be extremely rare that Albany Road will receive proxies with respect to securities held on behalf of the Funds. However, in the event proxies are issued to the Funds, Albany Road has the authority to vote proxies on behalf of the Funds. In such cases, each proxy voting proposal received by the Funds is thoroughly reviewed in order to ensure that each such vote is voted in the best interests of the Fund holding the applicable securities.

Albany Road understands and appreciates the importance of proxy voting. Albany Road has adopted proxy voting policies and procedures that are designed to ensure that when Albany Road votes proxies with respect to securities held on behalf of the Funds, such proxies are voted in the Fund's best interests, in the judgment of Albany Road to the extent reasonably practicable. The procedures also require Albany Road to identify and address conflicts of interest between Albany Road, its related persons and the Funds. If a conflict of interest is identified, Albany Road will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Fund or whether taking some other action may be more appropriate. For example, Albany Road may utilize an independent third-party proxy voting service or consult with outside counsel to determine how to vote a proxy where a conflict of interest exists.

The Chief Compliance Officer or her designee will deliver proxies in accordance with instructions related to such proxy. Albany Road will keep a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each Investor request for proxy voting records and Albany Road's response for the previous six years.

Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how Albany Road voted any proxies and may obtain a copy of Albany Road's proxy voting policies and procedures by contacting the Chief Compliance Officer.

ITEM 18 – FINANCIAL INFORMATION

Albany Road has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds. Albany Road has not been the subject of a bankruptcy petition.