

Part 2A of Form ADV: *Firm Brochure*

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This brochure, dated March 30, 2020 (this “Brochure”), provides information about the qualifications, investment strategies and business practices of Heitman Capital Management LLC (“HCM” or the “Firm”), an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). Please note that SEC registration status does not indicate a particular level of skill or training of the Firm or its employees and that neither the SEC nor any state securities authority has approved this Brochure.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

If clients have any questions about the contents of this Brochure, please contact Thomas McCarthy at 312.855.5700 or by e-mail at thomas.mccarthy@heitman.com. Additional information about the Firm is also available on the SEC’s website at www.adviserinfo.sec.gov. Clients can search this site by a unique identifying number, known as a CRD number, or our Firm’s name. The Firm’s CRD number is 105480.

Item 2 Material Changes

The Firm is providing clients with this Brochure in compliance with the SEC's disclosure rules under the Investment Advisers Act of 1940 (the "Advisers Act").

This Brochure provides a summary of the Firm's qualifications, investment strategies and business practices. The last annual update was dated April 30, 2019. There were no material changes to the Firm's qualifications, investment strategies or business practices since the last update.

This Brochure, reflecting any material changes from the Brochure sent last year, and subsequent Brochures will be sent to clients within 120 days of the close of the Firm's fiscal year. The Firm will disclose any material changes that occur in the interim to clients as necessary.

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Item 4 Advisory Business

Background

Heitman Capital Management LLC ("HCM" or the "Firm") began doing business and became a private equity investment adviser registered with the SEC in 1980. Its principal place of business is located in Chicago, Illinois. The Firm conducts advisory business managing private equity and debt real estate investments for pooled investment vehicles and separate account clients.

Ownership Structure

Heitman LLC ("HLLC"), the sole member and parent of HCM, is the only entity that controls 25% or more of the Firm. In addition, the only entity that owns 25% or more of HLLC is KE I LLC, which holds a 99.95% stake in HLLC and acts as its managing member. The other member of HLLC is KE 2 LLC, which holds a nominal non-voting stake of 0.05%.

Other Related Entities

Section 7.A of Schedule D in the Firm's Form ADV, Part I, which is accessible by following the directions on the Cover Page of this Brochure, discloses entities that are subsidiaries of the Firm's parent entity (hereafter collectively, "Heitman Affiliates"). This disclosure includes all registered investment adviser and broker-dealer Heitman Affiliates.

Note that the Firm and certain of its affiliates utilize limited partnerships or other pooled investment vehicles (the "Heitman Funds") for investment purposes that are structured for Firm clients that principally consist of institutional investors. The Firm or one or more Heitman Affiliates also act as general partner, manager, or in other similar capacities and serves as the investment adviser of these Heitman Funds. As a matter of practice, the Firm or its affiliates typically provide prospective investors in a Heitman Fund with a private placement memorandum or comparable offering document, which contains information specific to that particular investment opportunity.

Additionally, in certain cases, the Firm or other Heitman Affiliates create special purpose entities, including limited partnerships or similar vehicles that are comprised of one or more investors, but which are not organized as Heitman Funds ("Client SPV Entities"). Similar to Heitman Funds, in these cases, the Firm and/or another Heitman Affiliate may act as general partner, managing member, or in a similar capacity and also serve as the investment adviser for the Client SPV Entities. As a practical matter, these entities are created to facilitate certain investments in real estate on behalf of one or more clients. These structures are common for real estate investments and are generally utilized for tax efficiency and limited liability reasons.

Scope of Services

In the instance of a new Heitman Fund or Client SPV Entity, the investment objectives and investment strategies for achieving those objectives are defined by the Firm and they are appropriately described in the applicable investment management agreement or other

comparable agreement or document (“IMA”) or offering documents the Firm or Heitman Affiliate will establish for such purpose. For separate account clients, the client in collaboration with the Firm establishes the investment goals and objectives for their portfolio. The Firm, utilizing an information gathering process designed to determine each client’s individual investment objectives for growth and income, tax considerations, time horizons, risk tolerance and liquidity needs, is responsible for determining how the portfolio will be constructed to accomplish the investment objectives of the separate account, in light of the client’s established goals and objectives. If appropriate, the Firm or Heitman affiliate will also review each separate account’s prior investment history (hereinafter, a Heitman Fund, a Client SPV Entity or a separate account are collectively referred to as “clients”). Clients may impose restrictions on investing with respect to certain strategies, certain property types or geographic areas. Other client preferences and investment objectives, as well as desired level of involvement in investment decisions, dictate whether the Firm or affiliate manages an account on a discretionary or non-discretionary basis. Each client’s investment objectives and guidelines are set forth in an IMA between the Firm and the client.

The Firm provides continuous investment related advice to its clients that includes the period preceding the investment in, during the investment in and operating of and the eventual sale or exit from the investment position. The advice encompasses all facets of investing in the debt or equity of property and includes recommendations as to holding real estate through limited partnership interests, general partnership interests, joint venture interests, units in group trusts, interests in limited liability companies, equity interests in corporations (each of which may directly or indirectly own real estate), interests in comparable legal structures formed in U.S. or non U.S. jurisdictions, or a combination of any of the above. The Firm and/or a Heitman Affiliate are also responsible for guiding the scope, reviewing, commenting on, if appropriate and requesting additional evaluation, if needed, of the information provided by various third party consultants (i.e. legal, tax, environmental, engineering, accounting) and property management firms engaged directly or by joint venture operating partners with that responsibility.

For further information regarding procedures followed by the firm for accounts managed pursuant to discretionary authority please see Item 16 titled “Investment Discretion”.

Amount of Managed Assets

As of December 31, 2019, the Firm actively managed \$21,756,908,962 of assets on a discretionary basis and \$13,133,064,084 of assets on a non-discretionary basis.

Item 5 Fees and Compensation

Advisory Services Compensation

For its services, the Firm may receive one or more of the following fees:

- An acquisition fee based on a sliding or fixed percentage generally ranging from no fee to 1.25% of the invested or committed capital, which may include debt related to the acquisition of the property. Alternatively, the Firm may negotiate a fixed fee for this service.

- An annual portfolio management fee based on a percentage of invested capital, aggregate original investment costs, net assets value, carrying values and/or a percentage of net operating income (before or after debt service) or net cash flow. When such fees are based on invested capital, original investment cost, net assets value or carrying values, the fees generally range from 0.20% to 1.25% per annum. When the fees are based on net operating income (before or after debt service) or net cash flow, the annual fees generally range from 5.0% to 7.0%. Alternatively, the Firm may charge a negotiated fixed annual portfolio management fee.
- A disposition fee based on a sliding or fixed percentage generally ranging from no fee to 1% of net sale proceeds, which may include proceeds used to retire debt. Alternatively, the Firm may negotiate a fixed fee for this service.
- Performance or incentive fees negotiated on an individual basis with the client, subject, if applicable, to the requirements of Section 205 and Rule 205-3 under the Advisers Act. Such fees are generally based upon the extent to which either realized or unrealized gains exceed either a national index, a predefined benchmark or investment return hurdle. If unrealized gains are included, they are typically based upon either an internal or independent appraisal generally subject to a reconciliation based upon actual results.
- A financing fee, which generally ranges from no fee to 1%, based on a percentage of the amount borrowed or refinanced. Alternatively, the Firm may charge a negotiated fixed fee for this service.
- A development or construction management fee, in lieu of a portfolio management fee, which generally ranges from no fee to 1.0%, based on a percentage of actual gross construction costs. Alternatively, the firm may charge a negotiated fixed fee for this service.

The Firm and its clients negotiate all fees concurrent with and prior to entering into an IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. Each client's IMA or the offering materials of limited partnerships or other pooled investment vehicles identifies all applicable fees. Generally, the Firm is paid in arrears. The Firm sends an invoice identifying the fees to each client and, if applicable, to each client's custodian in accordance with the client's IMA. In certain circumstances, the Firm is permitted to deduct portfolio management fees directly from client accounts.

From time to time, the Firm may give advice with respect to an investment in real estate operating companies or the acquisition of stock or other securities and/or real estate issued by real estate companies. Fees for such advice and situations where the Firm replaces another adviser (takeover portfolios) are negotiated with clients on a case by case basis.

As described in greater detail in Item 15 of this Brochure, the Firm may establish bank accounts as an agent for each client with unaffiliated financial institutions in order to administer investment activity for each client.

Limited Negotiability of Advisory Fees

In addition to the fee(s) described above, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. The Firm considers each client's circumstances and needs in reaching agreement on the fees applicable to each client and investment mandate. Examples of these factors include, among other things, the complexity of the client's investment strategy, the amount and type of assets to be acquired and managed, and reporting requirements.

Termination of the Advisory Relationship

In separate account relationships, either the client or the Firm typically may terminate an IMA for any reason by providing written notice to the other party. Generally, the client must provide notice to the Firm no fewer than 30 days from the termination of services, and the Firm must provide notice no fewer than 90 days from the termination of services. In addition, investors in Firm limited partnerships or other pooled investment vehicles may terminate the Firm or any other Heitman Affiliate, as applicable, as the investment manager under the terms of each such organizational document. Upon termination of any advisory relationship, an accounting true up will be completed to determine refunds required or amounts owed by the parties (if any).

ERISA Accounts

The Employee Retirement Income and Security Act of 1974 ("ERISA") and the regulations under the Internal Revenue Code of 1986 (the "Internal Revenue Code"), respectively, deem the Firm to be a fiduciary to its clients that are employee benefit plans or individual retirement accounts under certain circumstances. As such, the Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation.

Advisory Fees in General

Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for lower fees.

Brokerage Fees or Costs

Item 12 of this Brochure provides a detailed description of the Firm's brokerage practices and related cost or fees.

Minimum Account Size

The minimum dollar amount for establishing a separate account is generally as follows:

Private real estate equity	\$200,000,000 at account inception growing to \$400,000,000 plus over 3 years
Private real estate debt	\$100,000,000

With respect to Firm limited partnerships or other pooled investment vehicles, minimum capital commitment size varies from fund to fund, but Heitman generally requires a minimum commitment of \$5 million, subject to the Firm's discretion to permit smaller investments.

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

As described in Item 5 of this Brochure, the Firm may earn and receive performance or incentive-based fees for its services from certain of its clients. These types of fee structures are negotiated on an individual basis with the client, subject, if applicable, to the requirements of Section 205 and Rule 205-3 under the Advisers Act. Such fees are generally based upon the extent to which either realized or unrealized gains exceed either a national index, a predefined benchmark or investment return hurdle. If unrealized gains are included, they are typically based upon either an internal or independent appraisal generally subject to a reconciliation based upon actual results. These types of fee structures are often viewed as better aligning the Firm and its compensation with its clients' investment objectives and results.

In theory, a performance or incentive-based fee structure could lead to circumstances where the Firm may be perceived as having a conflict. Some examples of why a performance or incentive-based fee structure may be perceived as a conflict for the Firm include instances where the Firm may:

- favor clients with performance oriented compensation over other clients of the firm that have different fee arrangements;
- recommend a riskier or more speculative investment that is projected to result in higher fees to the Firm;
- time dispositions or control other factors particular to a portfolio asset to have the potential to generate additional fees;
- allocate an investment that may be appropriate for multiple clients to the client projected to pay the higher fees over the holding period; and
- invest in a property located within the same sub-market as another investment held in the portfolio of a different client of the Firm with a different fee arrangement.

The Firm has the following protections in place to mitigate the potential for conflicts caused by performance or incentive-based fee structures:

- The Firm's investment recommendations are created, reviewed and approved in accordance with the investment guidelines as defined in each client's IMA. These recommendations take into consideration possible conflicts including whether other clients of the Firm have assets within the sub-market and are directly competitive to the investment being recommended.

- All investment recommendations are reviewed and require approval by the Firm's Investment Committee, which consists of a body of senior officers that are responsible for oversight of client investments.
- A proposed investment recommendation that may be appropriate for multiple clients is offered to those clients based on the Firm's investment allocation policy. No consideration is given to variances in the client's fee arrangements when determining allocation priorities. The Firm maintains separate investment allocation lists for its Private Equity core and non-core investment strategies and its Debt strategies that it executes for clients. In the event a potential investment is suitable for more than one client, the investment is allocated to the client holding the highest priority on the applicable allocation list. Every active client of the Firm is prioritized on the applicable list based on the length of elapsed time since the client's last investment was made. Should an investment be allocated to a client but fail to close, the client retains its position on the list. If a non-discretionary client is offered an investment and declines to pursue it, the client retains its position on the list, but after three such events, the non-discretionary client is placed at the end of the rotation.
- A multi-disciplined investment team with separate reporting lines, including senior management, participates in the initial screening of all potential investments to assess their appropriateness for each client, taking into consideration such factors as risk profile, investment structure, geographic location, execution timing constraints, portfolio objectives and property type. This disciplined process, tested over decades of service provides effective checks and balances for mitigating the potential for conflicts to be mismanaged by any one individual.

Item 7 Types of Clients

The Firm generally provides advisory services to clients who are:

- Pension and profit-sharing plans;
- Corporations or other businesses not listed above; and
- Commingled investment vehicles (Heitman Funds) where investors are any of the foregoing.

Item 5 of this Brochure discloses that the Firm has established certain initial minimum account requirements based on the nature of the service(s) it provides.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Firm's investment process begins with understanding the specific investment objectives of our clients, as set forth in each client's IMA and the offering materials of limited partnerships or other pooled investment vehicles, to the extent applicable. The Firm's investment teams use the investment strategy, risk tolerance and diversification objectives of clients in order to

develop a plan to execute. General investment priorities that match market opportunities with client objectives are then established to begin the screening for construction of an investor's portfolio. Our private equity and debt investment teams pursue opportunities based on these guidelines.

Every investment that passes these initial screens is then evaluated by a multi-disciplined investment team, which includes portfolio management and research professionals from the Firm or Heitman Affiliates. The multi-disciplined team members are responsible for contributing to the preparation of the preliminary underwriting analyses for the various investment opportunities. The analyses consider a range of investment amounts that are possible given the cash flow projections and the expected return from investment, risks, demographic information, competitive market assessment and portfolio level information including geographic and property type diversification and other relevant portfolio construction guidelines such as leverage ratios. This information and other relevant factors are part of the considerations when assessing which investments should be allocated to a client.

Once an allocation decision is made and taking into account seller or prospective borrower requirements, a more detailed underwriting process commences conducted by a broadened multi-disciplined team assembled to secure the investment. Participants include members of the equity and debt investment groups, portfolio management, asset management, and research, financial operations & analysis, and closing & due diligence groups. The Firm employs both a bottom-up as well as a top-down approach to evaluating investment opportunities. From the bottom-up the Firm completes a quantitative and qualitative analysis of the real estate and its local market. This includes a review of the projected return on investment (cash flows, going-in yields, IRR, etc.), stability of cash flows (lease roll-over, capital expenditures), re-financing risk (if any), investment amount versus replacement cost, market supply and demand and competitive position in the market. This analysis also includes performing a stress test on various underwriting assumptions, such as: rental and operating expense annual growth rates, occupancy, capital expenditures, real estate taxes, insurance expense, initial market rents, exit capitalization rate, lease-up timing and if financing is being employed as part of the capitalization, interest rate assumptions. Assumptions are varied to isolate and evaluate their impact on the property's overall risk and return profile.

From the top-down, the Firm evaluates global macro and micro economic and capital market conditions including monitoring general liquidity and pricing momentum, interest rate movements, currency, tax implications, projected economic growth and other macro factors and trends (including demographic patterns and technological changes that may have a disruptive effect, resulting in changes in land use or space use). Further, the Firm evaluates portfolio investments using additional criteria such as the portfolio weight of a particular investment and how its inclusion impacts the overall investment performance, sector and geographic configuration and any stated exposure or diversification objectives of the portfolio.

If the negotiations with a seller or prospective borrower lead to an agreement in principle, a letter of intent is typically entered into between the parties. The letter is non-binding but outlines the salient terms of the agreement to sell, purchase or finance and is viewed as an indication of intent. Once a letter of intent is executed, the investment team prepares and submits its investment brief to the appropriate Investment Committee of the Firm, as applicable, for its

review and consideration. The brief includes an investment underwriting analysis and valuation, which includes a set of return sensitivity analysis that illustrates the impact to the investment's return profile from changes to a variety of underwriting assumptions. We believe this helps focus the review on the investment's merits, strengths and weaknesses and the bottom-up and top-down analysis provides a solid foundation for a conclusion to be reached as to whether to include the investment in a client's portfolio. The investment material also includes information on the client's existing portfolio with the Firm and considers how the new investment will impact diversification, returns from income and growth, and sector weightings per client. The Firm's appropriate Investment Committee must formally approve all new equity and debt investments, dispositions, refinancings and other material decisions pertaining to an investment.

Once a property becomes a part of a client's portfolio, the Firm's portfolio/asset management teams take on primary responsibility for the execution of the business plan. The portfolio/asset management process is a collaborative endeavor which includes coordinating each of the disciplines required to manage the individual assets within the applicable portfolio such as overseeing property managers and leasing specialists, auditors, researchers, engineers and construction professionals, joint venture partners and legal and due diligence specialists.

Portfolio and asset management team responsibilities include:

- **Guidance, Review and Approval of Annual Operating and Capital Budgets:** For equity investments, annual operating and capital budgets are prepared by third-party property management and leasing personnel or in conjunction with joint venture partners, if applicable, with guidance from the asset managers. These budgets provide the annual operating parameters for the third-party property managers to follow when making decisions related to leasing, operating and managing an asset including any potential capital improvements.

For debt investments, borrowers are usually required to prepare and submit their budget for the succeeding year 60 days after the start of the year. The budgets are reviewed and compared to the original project proforma prepared prior to the loan's closing. Any unusual deviations from that projection are discussed in detail with the borrower. If appropriate, this information is used to update the Firm's desktop valuations. If required both parties agree on a plan to address any items of concern.

- **Development of Annual Business Plans:** For each equity investment, the asset manager prepares an annual business plan, which is comprised of strategic and operational objectives and implementation tactics in order to execute the investment's business plan that was established at acquisition. The plan includes key operating goals for the investment such as financial projections and sources and uses of cash. In collaboration with research, the asset manager also provides an overview of market conditions relevant to the property and how they may contribute or deter from achieving the original investment objectives.

For each debt investment, the portfolio management team prepares quarterly investment updates that summarize the collateral operating performance and any projects to be undertaken. The updates identify risks within the portfolio and guide

conversations amongst the portfolio management team related to mitigating and resolving those risks. In addition, the quarterly updates summarize actual loan and property performance relative to the pro forma underwritten by Heitman at the time the investment was approved. When necessary, the portfolio management team, with information from research, also provides an overview of market conditions relevant to the property and how they may contribute or deter from achieving the original investment objectives.

- **Property Valuations:** For equity investments, the asset manager coordinates the preparation of market valuations for each investment in the portfolio. This involves managing the external valuation process administered by independent appraisal firms and/or completion of internal valuations according to the requirements outlined in an investor's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. As part of the portfolio/asset management process, each property is reviewed quarterly for significant events affecting value. The asset manager is responsible for recommending final market values to the Firm's Valuation Committee. The Valuation Committee must review and approve all proposed asset value changes. Approved market values are then incorporated into the net asset value calculations and performance reports submitted to investors.

For debt investments, the portfolio management team incorporates the results of the property valuation process into the valuation of debt instruments. Third party valuations of each loan are performed according to the requirements outlined in an investor's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. Otherwise, Heitman prepares internal valuations of each asset secured by one of its debt financings on a quarterly basis. The portfolio managers determine if changing property values or market conditions warrant a mark-to-market adjustment of the debt value relative to par value.

- **Hold/Sell Analysis:** The Firm's goal is to maximize investment returns for its clients while striving to minimize risk. This means that when an equity investment's business plan has been executed at the property or investment level, and market conditions are conducive to exit at acceptable or better-than-acceptable returns, the asset should be considered for sale. On at least an annual basis, the asset manager prepares a hold/sell analysis for each asset. In seeking the optimal time for disposition, the Firm's approach involves both a qualitative and a quantitative analysis of the asset and its market. The hold/sell analysis typically includes a review of the following factors:
 - Business plan achievement;
 - Currency and tax considerations for offshore investors;
 - Diversification and/or allocation benefits of investment in portfolio;
 - Environmental and physical issues;
 - Equity and debt capital structure considerations;
 - Going forward IRR compared to returns from other financial instruments;

- Holding period compared to original anticipated holding period;
- Market supply and demand and competitive position in the market;
- Replacement cost compared to the Firm's current estimate of value;
- Since inception IRR through most recent valuation and through continued ownership;
- Stability of cash flows (lease rollover, capital expenditures);
- Status of venture partner (if applicable);
- Third party opinion of value (either a broker opinion of value or appraisal) compared to the Firm's current estimate of value; and
- Total returns in comparison to investment and portfolio benchmarks and equity multiple.

If an analysis of the above factors indicates that it is appropriate to sell an asset the asset manager prepares a marketing brief, which is submitted, to the Firm's appropriate Investment Committee for review and approval. The brief sets out the portfolio team's rationale for recommending that an asset be sold as well as the estimated terms that can be expected from a sale process. If the recommendation is approved by the respective Investment Committee, the portfolio and asset managers work with the Closing and Due Diligence Group to effectuate property sales beginning with identifying the appropriate third party marketing agent to effect the exit from the Investment. The asset manager is also responsible for securing a client's written approval, if necessary, to complete an exit from an investment position. Contract terms vary depending on market conditions, but exits from the portfolio typically can be implemented within 90-120 days. The portfolio/asset management team will seek to reserve sufficient sale proceeds to meet known and unknown future obligations of the title holding entity, including but not limited to, accounts payable, legal fees and reserves to cover potential claims under any contractual representations and warranties and reasonable unspecified reserves for a reasonable period of time.

The Firm generally expects to hold debt investments through the maturity date for each loan. However, some debt investments can potentially be sold with the price being determined based upon (i) the credit quality of the investment being sold and (ii) the contractual interest rate of the loan relative to current market rates for loans of similar risk and duration. Therefore, loan pricing analysis can result in pricing at par (the sum of contractual principal and interest owed) or at a premium or discount to par. The Firm will periodically conduct Hold/Sell analysis and may occasionally sell loans as part of its on-going management of risk and return in its debt investment portfolios.

- **Third-Party Property Management and Operating Partners:** The equity investment asset manager supervises the property management firms that manage the assets within their portfolios including hiring and firing (if necessary) to ensure they meet the investment's objectives and the Firm's standards of performance. The Firm does not have an affiliated property management company; all investments are managed by third-party property managers and, in the case of a joint venture, frequently by property

management affiliates of the joint venture partner. The asset manager visits properties periodically and communicates with property managers on a regular basis. The asset manager actively manages the asset by focusing on such factors as performance of the property compared to expectations and related benchmarks, compliance with provisions of the property management agreement, physical condition and maintenance of the property and responsiveness and knowledge of the property manager.

For debt investments, each borrower is responsible for engaging a third party property management firm or providing the internal resources to directly perform the property management responsibilities for each underlying asset.

- **Compliance:** The Firm's parent has a Compliance Committee which reviews and evaluates compliance issues and potential risks deemed to affect the Firm and its Heitman Affiliates. The Compliance Committee is designed to ensure such issues are addressed. These compliance issues include, among others things, matters involving Know Your Customer, Anti Money Laundering, Privacy and Pay-to-Play. Controls are evaluated, enhanced and/or established to manage such risks. Additionally, all IMAs are reviewed by a member of the legal and compliance team prior to execution.

Risk of Loss

An investment in the equity or debt capitalization of real estate involves significant degrees of risk, some of which are outlined below.

- **General Risk of Real Estate Investments:** Equity investments in real estate are subject to the risks generally incidental to ownership and operation of income-producing real estate. Real estate values are affected by a number of factors, including: (i) the illiquidity of investments; (ii) the possibility that cash generated from operations will not be sufficient to meet fixed obligations; (iii) changes in economic conditions affecting real estate ownership directly or the demand for real estate; (iv) changes in the global macro-economic climate; (v) the need for unanticipated expenditures in connection with environmental matters; (vi) changes in real estate tax rates and other operating expenses; (vii) adverse changes in laws, governmental rules (including those governing usage, improvements, zoning and taxes) and fiscal policies; (viii) acts of God, including earthquakes, fires, climate risks of cyclones, storm surge/sea-level rise, floods, wildfires, heat stress and water stress (which may result in uninsured losses and could negatively impact investor interest, occupier demand, operating expenses and capital expenditures); man made exposures such as wars, riots, or acts of terrorism (ix) environmental and waste hazards; (x) energy and supply shortages; (xi) uninsured losses or delays from casualties or condemnation; (xii) risks from operating problems arising out of the presence of certain construction materials; (xiii) structural or property level latent defects; (xiv) local conditions (such as an oversupply of space or a reduction in demand for space); (xv) the quality and philosophy of management; (xvi) competition based on rental rates; (xvii) attractiveness and location of the properties and changes in the relative popularity of commercial properties as an investment; (xviii) financial condition of tenants, buyers and sellers of properties; (xix) quality of maintenance,

insurance and management services; (xx) changes in interest rate levels and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable; and (xxi) other factors that are beyond the Firm's control. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

Debt investments share these risks indirectly as they affect the value of our underlying collateral.

- **Third Party Involvement:** In some cases, the Firm on behalf of its clients invests in partnerships or comparable venture structures formed for the purpose of investing in real estate. Such investments may have shared or limited control with respect to such investments. As a result, those investments may involve risks not present in other types of investments where a third party is not involved, including the possibility that: (i) the Firm, on behalf of its clients, and the operating partner may reach an impasse on a major decision that requires the approval of both parties; (ii) an operating partner may at any time have economic or business interests or goals that are inconsistent with those of the clients; (iii) the operating partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the operating partner may be in a position to take action contrary to the client's investment objective; (v) the operating partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances the clients may be liable for actions of their operating partners. It may also be more difficult for the client to sell its interest in the investment. The operating partner may have joint approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could delay the execution of the business plan for the investment or require the client to engage in a buy-sell of the venture with the operating partner or conduct the forced sale of such investment. As a result of these risks, the client may be unable to fully realize its expected return on any such investment.
- **Failure to Meet Targeted Returns:** Investments are made based on the Firm's estimates or projections of internal rates of return, cash on cash returns and other similar metrics, which in turn will be based upon various factors, including projections of future growth rates and interest rates of applicable markets, development and redevelopment and/or operating costs, rental and lease-up rates of commercial properties and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of the investments may differ from the projections of the Firm and may differ materially. Clients have no assurance that the investments made by the Firm will achieve targeted total returns on investments.
- **Environmental Risks:** Under various laws, ordinances and regulations of the jurisdictions in which the Firm operates, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may hold the owner liable regardless of whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The

cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the return from such investment. An owner or operator of a facility may also be required to comply with various laws, ordinances and regulations regarding the handling, production, storage, use, discharge, or disposal of regulated materials.

Debt investments have environmental indemnities which shield the lender from potential environmental risks. In the event of a foreclosure the lender does assume all future environmental risks.

Prior to closing a debt investment or purchasing an equity interest in any property, the Firm reviews a Phase I environmental assessment prepared by an independent environmental consultant. A Phase I assessment typically includes an inspection of the property and a review of public records but no sampling of soil, surface water, groundwater, or other media. If the Phase I assessment reveals cause for concern, the Firm may direct the consultant to conduct further investigation of environmental risks associated with the property, including sampling. No assurance can be given, however, that either a Phase I assessment or subsequent investigation will reveal all potential environmental liabilities and properly assess their scope.

- **Harmful Mold and Other Air Quality Issues:** Under various laws, ordinances and regulations of the jurisdictions in which the Firm operates, an owner of real property may be liable for the costs of removal or remediation of certain harmful mold in such property. Such laws may hold the owner liable regardless of whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property. The Firm performs extensive physical testing to detect harmful mold surface exposure. However, when excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of the properties could require undertaking a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose a client to liability from tenants, employees of tenants and others if property damage or health concerns arise.

- **Public Health Risk:** Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the countries in which the Firm may invest and/or operate. Such disruption could thereby adversely affect the ability of the Firm to provide investment management services and the performance of the Firm's Investments.
- **Risky and Illiquid Investments:** Investments made in real estate are likely to be risky and illiquid. Such investments may be unsecured and subordinated to material amounts of senior indebtedness. The investments may not be protected by financial covenants or limitations upon additional indebtedness. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their sale. Dispositions of investments also may be subject to contractual and other limitations on transfer (including prepayment penalties with respect to property-level debt) or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist and entities advised by the Firm must be able to bear the consequences of such loss. Even if the investments are successful, they may not produce a realized return for an unspecified duration of time.
- **Leverage:** In some situations, the investments made will employ leverage in connection with the initial acquisition. The percentage of leverage used will vary depending on the estimated stability of the investment's cash flow, as well as on market conditions. To the extent that changes in market conditions cause the cost of financing to increase relative to the income that can be derived from an Investment, the amount leveraged may be reduced. While the use of leverage may enhance returns and increase the number of investments that can be made, it will also increase the risk of loss. As an investment incurs indebtedness, it will become subject to the risks associated with debt financing, including the risks that available funds will be insufficient to meet required payments and that existing indebtedness will not be able to be refinanced or that the terms of that refinancing will not be as favorable as the terms of existing indebtedness. To the extent that an investment is unable to meet required debt service payments, the applicable client risks the loss of the particular investment.

The use of leverage involves a high degree of financial risk and will increase the exposure of the investment to adverse economic factors such as rising interest rates and downturns in the economy. In addition, debt financing may restrict the amount of funds available for distribution to clients.

- **Capital Expenditures:** Although the Firm, in its management, valuation and underwriting of potential equity investments, will provide good faith projections of the short to medium term capital needs of such investments, there can be no assurance that the capital needs of any of the properties in which investments are made from time to

time will not exceed such estimates or that a property will generate sufficient cash flow to cover its capital needs.

For debt investments, unexpected capital expenditures could pose a risk to the lender in that the borrower's cash flow may be reduced such that the borrower might not be able to pay the debt service.

- **Casualty Losses; Uninsurable Losses:** Comprehensive casualty insurance will be maintained on Investments, including liability and fire and extended coverage, in amounts sufficient to permit replacement in the event of a total loss, subject to applicable deductibles. The Firm will endeavor in the future to obtain coverage of the type and in the amount customarily obtained by owners of properties similar to the real property being invested in. There are certain types of losses, however, generally of a catastrophic nature, resulting from, for example, earthquakes, floods, typhoons, tsunamis, hurricanes, pollution, environmental matters, wars, riots, nuclear reactions and terrorist acts, which may be uninsurable or not economically insurable. For the coverage of earthquakes, we enlist our insurance brokers to provide a Probable Maximum Loss ("PML") report which utilizes industry accepted standards to quantify the potential losses of a portfolio in a one in 475-year exposure. This potential loss number is used as our minimum earthquake limit for our insurance program. The earthquake limit can be exceeded if the earthquake has a higher magnitude than utilized in the creation of the PML report or if there is more economic and physical damage than the coverage limits. In regards to the coverage of terrorism, this exposure is becoming difficult and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts which can greatly increase the total costs of casualty insurance for a property. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the Investments pledged as collateral for loans and other factors also might make it economically impractical to use insurance proceeds to replace improvements on a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received, if any, might not be adequate to restore the Investment with respect to the affected property. If a major uninsured loss occurs, the client could lose both invested capital in and anticipated profits from the affected Investment.

For debt investments, if the property owner suffers an uninsured loss then the security could be impaired and the lender's secured position may be impaired as well.

- **Debt Investments:** Real estate debt investments include newly originated opportunities, participations in and/or acquired real estate loans that are non-recourse to the borrower including subordinated or "mezzanine" loans. Mortgage investments have special inherent risks relative to collateral value. To the extent the client makes or acquires subordinated or "mezzanine" debt investments, the Firm does not anticipate having absolute control over the underlying collateral as the client will be dependent upon third-party borrowers' payments of debt service and performance of other obligations under the senior lender's mortgage loan documents and will have rights that are subordinate to those of senior lenders. In any case, in the event of default, the client's source of repayment will be limited to the value of the collateral and may be subordinate to other

lien holders. The collateral value of the property may be less than the outstanding amount of the client's investment. In cases in which the client's collateral consists of partnership or similar interests, the client's rights and level of security may be less than if it held a mortgage loan. Returns on an investment of this type are more vulnerable to the performance of the underlying asset which directly impacts the borrower's ability to make required payments, and, in the event of default, the ability to foreclose and liquidate the collateral or sell the note.

- **Non-U.S. Investments:** Non-U.S. real estate-related investments involve certain factors not typically associated with investing in real estate-related investments in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the client's investments may be made and costs associated with conversion from one currency into another, (ii) differences between U.S. and foreign real estate markets and (iii) certain economic and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment and repatriation of capital and the possibility of expropriation or confiscatory taxation.
- **Currency and Exchange Rates; Hedging Policies:** The functional currencies of the client accounts are primarily the U.S. dollar, the Pound, the Euro, the Yen, the HK \$, the Won and the Australian Dollar, as appropriate. Accordingly, some investors will be subject to the risks associated with fluctuations in currency exchange rates between the investments' currency and the clients' national currency. As such, the performance of clients could be adversely affected by fluctuations in the currency exchange rates, the costs of conversion and exchange control regulations, in addition to the performance of the Investment itself. To mitigate such risks, clients may obtain financing in the relevant foreign currency and may enter into hedging transactions, such as treasury locks, forward contracts, fixtures contracts, cross-currency swaps and interest rate swaps. While such hedging transactions may reduce such risks, they may result in a poorer overall performance for a client than if it had not entered into such hedging transactions.
- **Interest Rate Risks:** Investments in real estate result in exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of investments (e.g., interest rate changes may affect, among other items, the cash flows of an investment directly and the cost of leverage).
- **Litigation:** In the ordinary course of its business, investors in real estate may be subject to litigation from time to time. The outcome of such proceedings may adversely affect the value of an Investment and may continue without resolution for long periods of time.
- **Regulation:** Governmental authorities of the jurisdictions in which the Firm operates are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such

structures be renovated or altered in some fashion. The establishment of such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby. Increased costs resulting from increases in real estate, income or transfer taxes or other governmental requirements generally may not be passed through directly to residents, tenants or lessees, inhibiting the ability to recover such costs.

- **Regulatory Considerations:** Certain client investments may be in real estate development projects that require compliance with various regulations and permitting matters by governmental authorities and, in some cases, the consents or approvals of third parties. Further, regulatory enactments, including those relating to various permit or licensing requirements, or changes in their interpretation by the applicable authorities, may impact the ability of the Firm to manage or dispose of projects on a timetable that might be the most advantageous to the client.
- **Reassessment and Transfer Tax:** To the extent that an interest in real property is assigned, transferred, financed, or restructured in the ordinary course of business, certain jurisdictions may (i) seek to reassess the underlying real property, which may result in higher ad valorem property taxes and/or (ii) impose a stamp, recording, deed, or other transaction-based tax on such transaction.
- **Financial Market Fluctuations:** General fluctuations in the market prices of securities may affect the value of Investments. Instability in the securities markets may also increase the risks inherent in Investments.
- **Financial Condition of Tenants:** An Investment's results of operations, distributable cash flow and the value of the interests would be adversely affected if a significant number of its tenants are unable to meet their lease obligations. In the event of default by a significant number of tenants, the Investments may experience delays and incur substantial costs in enforcing rights as the lender or owner of the properties.
- **Cybersecurity:** The Firm and its affiliates collect and store sensitive data in their data centers and on their networks, including proprietary business information and personal information relating to their employees. The secure processing, maintenance and transmission of such information is critical to the Firm's and its affiliates' operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise the Firm or its affiliates' networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or regulatory proceedings, disruption in operations, or otherwise damage the business of the Firm.

- **Reliance on Key Employees:** The Firm depends on the efforts and expertise of senior officers. The loss of these persons' services could have a material adverse effect on the Firm. The Firm employs experienced individuals who manage the Firm's operations, and its success depends on, among other things, its ability to retain these individuals and attract additional qualified personnel.

Item 9 Disciplinary Information

The Firm and its management personnel must disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the Firm's advisory business. The following is the only such event known to the Firm:

On January 11, 2011, following a December 2010 car accident in London where Gordon Black, a senior officer of the Firm, was driving and after which he failed to pass a breathalyzer test, he was convicted of driving a motor vehicle when his alcohol level was above the limit, as a result of which his driving privileges were suspended for 20 months (such a suspension is automatically imposed for all such driving offenses) and he was fined £3,600. In addition, although Mr. Black had a valid U.S. driver's license, because he had been in the UK for more than one year and had not taken and passed a UK drivers test at the time of the accident, his automobile insurance was invalidated, an offense for which he was convicted and fined £500.

Item 10 Other Financial Industry Activities and Affiliations

Other Pooled Investment Vehicle(s)

As described in Item 4, the Firm and other Heitman Affiliates create limited partnerships or similar pooled investment vehicles referred to as "Heitman Funds" and "Client SPV Entities". The Firm or its affiliates act as the investment adviser to such entities. As described later in this section, the Firm or its affiliates solicit investors to invest in these entities through affiliated broker-dealers. Further, unaffiliated third parties may in some cases be utilized to solicit investors to invest in these entities, as described in Item 14.

Other Affiliates' Activities

As described in Item 4, some Heitman Affiliates are registered as investment advisers or broker-dealers as described below. The Heitman Affiliates conduct the following business activities:

- Heitman Securities LLC ("HSL") is a registered broker-dealer and member of the Financial Industry Regulatory Authority. Heitman UK Limited ("HUK") is a broker-dealer registered with the United Kingdom's Financial Conduct Authority ("FCA"). Heitman HK Limited ("HHK") is licensed as a placement agent by the Securities and Futures Commission of Hong Kong ("SFC"). Heitman International Real Estate Securities Pty Limited ("HIRES Pty") is registered with the SEC and licensed with the Australian Securities and Investments Commission to provide advice and deal in financial products. From time to time, the Firm or its affiliates may utilize the services of HSL, HUK, HHK or HIRES Pty for security offerings of Heitman Funds.

- Heitman International Real Estate Securities UK Limited (“HIRES UK”) is registered with the FCA. HIRES UK is registered as an Article 3 MiFID exempt firm, which means its activities are limited to the receipt and transmission of orders.
- Several personnel of the Firm or its affiliates are registered representatives or approved persons of these registered broker-dealers. These persons do not receive direct compensation for their broker-dealer or placement agent duties.
- Heitman International LLC (“HI”) and Heitman International HK Limited (“HI HK”) are private equity investment advisers that are registered with the SEC. As described further below, HI maintains a branch office in Tokyo, Japan that is also registered with the Kanto Local Finance Bureau (“KLFB”) in Japan, which has delegated administrative responsibility and oversight for this branch to the Financial Services Agency of Japan. HI HK is also registered with the SFC in Hong Kong. These entities conduct global advisory business managing private equity and debt real estate investments for clients.
- Heitman International-Japan Branch (“HI Japan Branch”) is a branch office of HI that is located in Tokyo, Japan. As mentioned above, HI Japan Branch is registered with KLFB and is licensed to provide certain discretionary investment management services and related client support activity. This location also acts as an operational liaison and assists in various reporting, client service and marketing and investment oversight matters for Heitman Clients and investments that are in the Asia Pacific region generally, and Japan in particular.
- Heitman International-Seoul Branch (“HI Seoul Branch”) is a branch office of HI that is located in Seoul, Korea. HI Seoul Branch conducts basic client service and relationship oversight activities such as building Heitman’s name/brand recognition in the geographic region and acting as the relationship manager and liaison in respect to existing Korean based clients.
- Heitman Real Estate Securities LLC (“HRES”) and Heitman International Real Estate Securities HK Limited (“HIRES HK”) are SEC registered investment advisers that manage portfolios composed principally of publicly-traded equity securities of real estate investment trusts and other real estate related securities. HIRES HK is also registered with the SFC in Hong Kong.
- HIRES Research Limited provides research services to HRES and HIRES UK.
- From time to time, HRES, and HIRES HK will draw upon the market research capabilities of the Firm’s parent in making portfolio selections.
- The Firm’s parent provides certain central office support functions such as compliance and anti-money laundering monitoring, human resources, information technology and other similar enterprise wide activities.

In the event that any of its affiliations present potential conflicts of interest, the Firm will either resolve the conflict of interest or follow established written policies and procedures for disclosing such conflicts of interests to its clients.

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

The Firm has adopted a Code of Ethics (the “Code”), which sets forth standards of business conduct required of all of its officers, managers and employees and requires its employees to maintain integrity and ethical dealings with clients and to comply with all laws and regulations of the various jurisdictions in which the Firm operates. The Code includes the establishment and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information.

The Firm and its personnel owe a duty of loyalty, fairness and good faith to its clients and have an obligation to adhere to the specific provisions of the Code as well as the general principles that guide the Code.

The Firm designed the Code to ensure that the personal securities transactions, activities and interests of its employees will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code includes policies and procedures for the review of quarterly securities transactions reports and initial and annual securities holdings reports submitted by all of the Firm’s Access Persons and their Family Members. This Code requires the prior approval or prohibition of certain securities transactions. It also contains oversight, enforcement and recordkeeping provisions.

Further, Access Persons certify on a quarterly basis and Supervised Persons certify on an annual basis that they have complied with the requirements of the Code. In addition, the Firm has implemented mandatory compliance training that is conducted periodically throughout the year. Compliance topics address policies applicable to all employees of the Firm such as review of the Code, privacy and anti-money laundering.

It is possible that “related person(s)” may have an interest or position in certain securities that the Firm recommends to a client. The Firm’s express policy is that no employee may purchase or sell any security prior to implementing a transaction for an advisory account. This policy is intended to prevent employees from benefitting financially from transactions placed on behalf of advisory accounts.

The Code further includes the Firm’s policy prohibiting the use of material nonpublic information for personal trading or on behalf of others.

A copy of the Firm’s Code of Ethics is available to its clients and prospective clients via e-mail at compliance-us@heitman.com or telephone at 312-855-5700.

As an investment adviser, the Firm has fiduciary responsibilities with respect to each of its clients. This means that the Firm is required to act in each client’s best interests and to deal with client assets in such a manner as to benefit the client. Compliance with the Firm’s fiduciary

duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict which may arise with respect to any client. The Firm's employees are required to try to avoid situations that have even the appearance of conflict or impropriety.

Senior officers of the Firm (or their functional equivalent) are also senior officers or "related persons" of affiliated investment advisers and/or limited partnerships and other similar entities that serve in the capacity of, or in a similar capacity to, General Partner of the Heitman Funds. The General Partner has designated the Firm or an affiliate of the Firm as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, that pertain to the entities. The Firm and its affiliates and their managers, officers and employees will devote to the entities as much time as necessary and appropriate to manage the entities' business. However, the Firm and its affiliates form additional investment funds, enter into other investment advisory relationships, and engage in other business activities, even though such activities may be in competition with the entities and those other activities may involve substantial time and resources of the Firm and its affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of the Firm's management personnel and employees will not be devoted exclusively to the business of the entities but allocated between the businesses of the entities and those of the Firm's other affiliates.

Certain entities ("Firm Related Entities") have been established to invest in limited partnerships or other pooled investment vehicles, or other real estate related investment vehicles sponsored or created by the Firm's parent entity or one of its direct or indirect subsidiaries ("Investment Entities") to develop, acquire, own and/or operate, finance, and ultimately sell interests in office, multi-family residential, industrial, specialty sector, and/or retail properties located principally in North America, Europe and Asia Pacific regions. The beneficial owners of the Firm Related Entities, in all cases, consist of past and present employees of the Firm's parent entity or a Heitman Affiliate.

Item 12 Brokerage Practices

The Firm does not use securities brokers in connection with its real estate advisory activities. However, the Firm may invest (i) clients' funds held but not yet invested in real estate, (ii) funds generated from the management of properties, or (iii) sale proceeds of a real estate investment pending distribution to the client. In the United States, such funds are invested primarily in Treasury money market funds and U.S. Government obligations, repurchase agreements and other instruments guaranteed by the United States or U.S. agencies. These investments are strictly incidental to the Firm's real estate advisory activities. In connection with making these investments, the Firm uses the services of large commercial banks to invest in money market funds that invest primarily in the securities investments previously described. The Firm receives no research or soft dollar benefits from such brokerage and believes the commissions or mark-ups are competitive with those that other brokers or dealers charge. On occasion, the Firm also uses unaffiliated real estate brokers that the Firm selects on the basis of (i) the reasonableness of their commissions as compared to other brokers offering similar services and (ii) the ability of such brokers to obtain best execution of the transaction.

Item 13 Review of Accounts

On a monthly or quarterly basis, the Firm prepares and delivers to all clients evaluations of their accounts showing cash and current investments by type, market value or unit cost. On an annual basis, the Firm prepares and delivers an annual report to each client which reviews all investments and updates the client on current market conditions and trends. Depending on the provisions of the IMA, or the offering materials of limited partnerships or other pooled investment vehicles, as applicable, certain reports are audited by an independent auditor. The Firm's employees who conduct these reviews are generally Vice Presidents and above.

Item 14 Client Referrals and Other Compensation

The Firm engages solicitors from time to time to assist in obtaining assignments with clients to manage privately-held real estate investments. In return for these services, the Firm (and not the client) compensates the solicitor out of its investment management fee. The Firm discloses such referral arrangements to its clients as required by applicable law.

Whenever the Firm pays a referral fee, it requires the solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the solicitor's name and relationship with the Firm;
- the fact that the Firm pays the solicitor a referral fee;
- the amount of the fee; and
- whether the Firm will charge the client an increase above its normal fees to compensate the solicitor.

As described in Item 10, the Firm may use Heitman Affiliates for security offerings of Heitman Funds.

It is the Firm's policy not to accept or allow its "related persons" to accept any form of compensation, including cash, sales awards, or other prizes, from a non-client in conjunction with the advisory services it provides to clients.

Item 15 Custody

The Firm invoices its fees to each client and, if applicable, to each client's custodian in accordance with the client's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. As addressed in Item 5, in certain instances, the Firm directly debits advisory fees from its client accounts.

Because the custodian does not calculate the amount of the deductible fee, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact the Firm directly if they believe that there may be an error in their statement.

In addition, the Firm sends account statements directly to its clients on at least a quarterly basis. The Firm urges its clients to carefully compare the information on these statements to ensure that all account transactions and holdings are correct and current.

The Firm may have custody of client funds through bank accounts maintained by the Firm for the benefit of the client and may have custody of client funds by virtue of having signatory authority in bank accounts. Due to the manner in which the Firm is paid and its control over client assets when acting as general partner (or similar capacity), the Firm and certain Heitman Affiliates are deemed to have custody of the cash and securities of the funds.

The Firm has adopted various procedures to implement the Firm's Custody Policy and ensure the Firm's policy is observed. Such procedures include:

- Securities and funds of custodial clients are maintained with a "qualified custodian" and held in the client's name or in accounts captioned as an agent or trustee or other similar language for the clients;
- When the Firm and/or Heitman Affiliate acts as either general partner, managing member, or in some similar capacity, the Firm will ensure that it undergoes, at least annually, a surprise examination of the funds, securities and/or assets over which the Firm has custody by an independent auditor or that the limited partnerships or other pooled investment vehicles, as applicable, prepares annual audited financial statements which are distributed to investors of the vehicle within 120 days of each vehicle's fiscal year end.

Item 16 Investment Discretion

Investors who commit to invest in a Heitman Fund must agree to the provisions of the entity's formation documents, including the Subscription Agreement or Participation Agreement and the Private Placement Memorandum, which in all cases grants full control and discretion to the Firm. That is, the Firm has the power to direct the Heitman Fund's assets without prior consultation with its investors in accordance with the Heitman Fund's investment guidelines.

Clients may also choose to enter into an IMA that engages the Firm to invest the client's funds in one or more individual real estate investments that are consistent with the specific investment objectives and strategies of the client and that are set forth in the IMA. In some cases, the client may elect to give the Firm complete discretion to make investments within the parameters established by the IMA. The Firm refers to these relationships as discretionary accounts. The Firm considers client portfolios to be discretionary if the Firm has sole or primary responsibility for major investment decisions, such as portfolio strategy, investment structuring, acquisition and disposition of assets and valuation of assets.

Clients give the Firm discretionary authority when they sign a discretionary agreement with the Firm and may limit this authority by giving the Firm written instructions. Clients may also change or amend such limitations by providing the Firm with additional written instructions at some later point in time. In other cases, the IMA provides that the Firm must submit the proposed

investment to the client or the client's representatives for approval and authorization to invest. The Firm refers to these relationships as non-discretionary accounts.

Item 17 Voting Client Securities

Generally, the only action that would require a proxy vote is the election of directors or managers of the Client SPV Entities described below. Other than the exceptions noted below, the Firm does not vote proxies for any Client SPV Entities because:

- Whenever a Client SPV Entity in which a Firm separate account client owns an interest that requires the vote of its beneficial owner, the beneficial owner does its own voting unless the applicable organizational documents expressly authorize the Firm or its officers to act on behalf of the party entitled to act.
- Whenever a Client SPV Entity in which a Heitman Fund owns an interest that requires the vote of its beneficial owner, the beneficial owner does its own voting unless the applicable organizational documents expressly authorize the Firm or its officers to act on behalf of the party entitled to act.

Item 18 Financial Information

Under no circumstances does the Firm require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of rendering services. Therefore, the SEC does not require the Firm to include in this Brochure a balance sheet for its most recent fiscal year.

As an advisory firm that has complete or partial discretionary authority for some client accounts and is deemed to have custody with respect to client accounts as described in Item 15, the Firm must disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. Other items of this Brochure have disclosed all of the conditions that are likely to affect the Firm's contractual obligations with respect to its clients. The Firm has no additional conditions to report in this item.

The Firm has not been the subject of a bankruptcy petition at any time.