Investment Adviser Brochure
Part 2A of Form ADV

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This investment adviser brochure ("Brochure") provides information about the qualifications and business practices of LaSalle Investment Management, Inc. If you have any questions about the contents of this Brochure, please contact us at the telephone number noted above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

LaSalle Investment Management, Inc. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.

Additional information about LaSalle Investment Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. <u>Material Changes</u>

There have been no material changes to this Brochure since the last annual update on March 30, 2016. This annual update of the Brochure contains certain non-material changes, including routine annual updates and enhanced disclosures, including with respect to the organization of LaSalle's investment advisory business, investor rights letters and treatment of material non-public information. We encourage all recipients to read this Brochure carefully in its entirety.

IMPORTANT NOTE ABOUT THIS BROCHURE

This Brochure is not:

• an offer or agreement to provide advisory services to any person;

• an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment vehicle advised or sponsored by LaSalle; or

• a complete discussion of the features, risks or conflicts associated with any advisory relationship with or investment vehicle sponsored by LaSalle.

Although this publicly available Brochure describes investment advisory services and products of LaSalle and its related advisers, persons who receive this Brochure (whether or not from LaSalle) should be aware that it is designed solely to provide information about LaSalle as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information described in, as applicable, the private placement memoranda (each, a "Memorandum"), limited partnership agreement (or similar operating agreement), letter agreement or other similar agreement (commonly known as "side letters") between a private fund and an investor, an investor's subscription agreement and/or investment management agreement (collectively, the "Governing Documents") as well as below under Item 8 "*Methods of Analysis, Investment Strategies and Risk of Loss*" and Item 16 "*Investment Discretion*."

In no event should this Brochure be relied upon in determining whether to engage LaSalle as an investment adviser. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

Item 3. <u>Table of Contents</u>

Item 4. <u>Advisory Business</u>

A. Description of Firm

LaSalle Investment Management, Inc. ("LIM Inc."), a Maryland corporation, is a real estate investment adviser that provides investment management and advisory services on real estate assets primarily to institutional clients.

LIM Inc. was established in 1980 as a subsidiary of LaSalle Partners. LIM Inc. registered with the SEC as an investment adviser in 1983. In 1997, LaSalle Partners converted its structure to a corporation, registered its initial public offering with the SEC and became listed on the New York Stock Exchange. In 1999, LaSalle Partners merged with Jones Lang Wootton, an international real estate services firm headquartered in London, England. The newly combined entity was named Jones Lang LaSalle Incorporated (NYSE: JLL) and became (and remains) the direct parent of LIM Inc.

LIM Inc. and its affiliated registered investment advisers (each named in Item 10 "*Other Financial Industry Activities and Affiliations*" below, together with LIM, Inc., "LaSalle") provide investment advisory services to LaSalle's investment advisory clients. Each of the investment advisers listed in Item 10 "*Other Financial Industry Activities and Affiliations*" is registered as an investment adviser in accordance with SEC guidance under the Advisers Act.

B. Description of Advisory Services

LaSalle's primary business is to advise clients on real estate-related investments (e.g., direct investments in real estate, investments in real estate funds, joint ventures with real estate partners, real estate loans, including subordinated or "mezzanine" loans, and direct equity investments in real estate assets through the purchase of all or substantially all of the issued securities of real estate investment trusts ("REITs") and similar structures) and to manage those investment portfolios. Other services provided by LaSalle include providing strategic research, guidance on investment strategy, acquisitions and dispositions, portfolio and asset management, cash management, financial reporting, accounting, due diligence and client services. LaSalle's client base is comprised generally of private funds it sponsors, as well as separate accounts, which LaSalle refers to as "custom accounts." The investors in the private funds and the owners of the custom accounts are predominantly institutional investors represented by government plans, pension plans and insurance companies. Additionally, LaSalle is the investment advisor to a non-listed, daily-valued, perpetual life public REIT, JLL Income Property Trust ("IPT"). IPT's investors are mainly retail investors but also include institutional and high net worth investors. Private funds, IPT and custom accounts are referred to generally in this Brochure as "clients."

LaSalle accepts engagements on both a discretionary and non-discretionary basis. In the case of discretionary engagements, LaSalle is given full authority to acquire and dispose of real estate-related assets and to manage the real estate-related assets owned by the client. Clients in non-discretionary engagements withhold some or all of the authority otherwise granted to LaSalle in discretionary engagements. For example, non-discretionary clients often require LaSalle to obtain client approval before purchasing or selling a property.

C. Tailoring Advisory Services and Client Restrictions on Advisory Services

LaSalle works with clients to address their investment objectives to the extent LaSalle can accommodate such needs and not adversely affect the services LaSalle provides to other clients.

LaSalle generally provides investment advice related to three primary strategies: core, value-add, and opportunistic (further described in Item 8.A). LaSalle can also further tailor a strategy to limit investments to certain geographic locations or types of real estate. In the case of private fund clients, LaSalle will create the investment objectives and determine the real estate strategy or strategies used to achieve those objectives. Due to the nature of private funds and IPT, LaSalle does not provide individualized investment advice to the investors in private funds or IPT and such investors are expected to participate in the overall investment program for the applicable private fund or IPT. However, certain investors may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon reasons. Co-investment funds may be formed from time to time to co-invest alongside LaSalle's private funds. In the case of custom account clients, the owners of the custom account have the ability to choose the investment objectives and real estate strategy or strategies and, thus, are able to restrict on the types of investments of the account.

The Advisers may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, supplementing or altering a private fund's partnership agreement or an investor's subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to limited partners who have capital commitments in excess of certain thresholds to one or more private funds), or transfer rights. Furthermore, pursuant to a private fund's Governing Documents, some of such rights, terms or conditions may be elected by certain sizeable investors with "most favored nations" ("MFN") rights.

D. Wrap Fee Programs

LaSalle does not provide services to wrap fee programs.

E. Assets Under Management

LaSalle, as of December 31, 2016, managed approximately $11,011,502,648 in client assets on a discretionary basis and $5,907,740,617 in client assets under management on a non-discretionary basis.

Item 5. <u>Fees and Compensation</u>

A. Description of Compensation Arrangements

LaSalle may receive one or more of the following fees for its services:

- management and/or advisory fee typically based upon the cost or fair market value of AUM, the amount of committed equity, the amount of equity invested or a blend of these fee structures;
- performance or incentive fees that generally are calculated as a specified percent of the return that exceeds the return identified in the investment advisory agreement or fund formation documents. Any incentive fees charged comply with Rule 205-3 under the Advisers Act;
- acquisition fees; or

- disposition fees.

In circumstances where LaSalle sponsors a private fund, LaSalle will establish the base fees under which LaSalle will be paid for providing services to the fund. These fees are generally based on the type of services LaSalle will perform for the fund and the fund's investment strategy or strategies.

In the case of LaSalle's custom accounts, LaSalle generally charges a fixed fee based on the size of the real estate-related portfolio or on percentage of net operating income. Some custom accounts also have an acquisitions fee and incentive fee structure in place. These fees are individually negotiated with each custom account.

B. Manner of Fee Payment

The manner in which LaSalle is paid for its services varies by client and the type of service and is documented in the advisory agreement with each client. LaSalle generally bills in arrears for fees for its custom accounts. In the case of LaSalle-sponsored private funds, fees owed to LaSalle and its affiliates are payable in accordance with the fund's Governing Documents. Fund documents typically do not require LaSalle to generate an invoice; instead, the Governing Documents require the private fund to calculate the fees payable by the fund and disburse the funds from the client's account to LaSalle.

Fees are payable periodically depending on the nature of the fee. For example, management fees are generally payable on a quarterly basis, transaction fees (such as acquisition fees) are payable within a certain period of time following the closing of the transaction and incentive fees are payable on a periodic basis (annually or longer) only if the designated threshold was reached.

C. Other Fees Clients May Be Charged

In addition to those fees described above, LaSalle's clients will be charged fees payable to third-party service providers (including affiliated service providers), which will be documented in each client's investment advisory agreement or other Governing Documents. These fees are primarily comprised of services related to the operation of the client's property portfolio. In the case of property management fees, LaSalle hires property managers on behalf of the client to manage the individual properties a client owns. Such management agreement may include a separate allocation for the reimbursement of salaries of employees dedicated to the property, as well as other administrative costs. Fees payable to the property manager are generally sourced from the income generated by the property. The client is also responsible for fees associated with bank accounts opened on behalf of the client, which would generally be comprised of general account maintenance fees, statement delivery charges and bank transaction charges. Other fees that can arise during the course of a client relationship include:

- real estate transaction fees, such as costs and fees associated with the purchase or sale of a property (taxes, attorney fees, brokerage commissions);
- fees associated with transacting leases;
- due diligence fees;
- annual audit review fees;
- fees associated with tax preparation and filings made with the applicable tax authorities;

- insurance premiums;
- developer fees;
- costs related to construction oversight;
- servicing fees;
- legal fees;
- accounting fees;
- fees for outside appraisers;
- fees for architectural engineering or other studies or reports related to proposed or existing investments;
- fees and expenses of unaffiliated parties incident to the preparation and distribution of reports; and
- travel expenses and other out-of-pocket expenses incurred with the evaluation, negotiation, operation or sale of proposed or existing investment and operations of portfolios.

Private funds and IPT also generally bear their own operating and other expenses (in addition to those listed above) including, but not limited to: (i) marketing expenses; (ii) legal expenses; (iii) internal and external accounting, audit and tax preparation expenses; (iv) insurance; and (v) operating expenses. Clients are not required to reimburse LaSalle for LaSalle's overhead and operating expenses.

D. Receipt of Compensation for Sales

Certain LaSalle supervised employees are awarded an annual bonus that recognizes such employee's success in attracting capital to the firm, although the bonus takes into account other qualitative factors. Generally, no bonus for any LaSalle employee is guaranteed; however, occasionally, LaSalle will guarantee a bonus for certain new hires. The LaSalle bonus pool is a single pool derived from the revenue generated by LaSalle's advisory activities and no commission is charged to any LaSalle client or any private fund investor.

Compensation practices that recognize capital raise success presents a conflict of interest based on the compensation received, rather than on a client's needs. LaSalle has largely addressed this issue by requiring individuals who are compensated in this manner to become licensed with LaSalle's affiliated broker-dealer and, therefore, become subject to the Financial Industry Regulatory Authority's ("FINRA") sales requirements, including those relating to suitability. Fund marketing materials also disclose that the applicable fund is distributed by LaSalle's affiliated broker-dealer and that the persons offering the fund on the broker-dealer's behalf are subject to conflicts of interest in offering the fund. Conflicts in the solicitation activities of custom account clients for real estate advisory mandates are mitigated by the financial sophistication of the prospective institutional investor and, in some cases, through such investors' representation by consultants and advisors. LaSalle, itself, is also motivated to maintain its strong reputation in the real estate investment community and incentivized to ensure investors understand LaSalle's investment strategies, processes and capabilities prior to accepting engagements. Lastly, potential investors have the ability to meet with senior members of the management team and to request additional information directly from the fund or portfolio management team.

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

LaSalle manages accounts that have both performance-based fee structures and non-performance-based fee structures. Performance-based fee structures are common in LaSalle-sponsored private funds and they also exist in certain custom accounts. In these payment structures, LaSalle generally would participate in the portfolio's return once the custom account or private fund investor receives a total return of a fixed percentage, which is usually based on an internal rate of return or time weighted return benchmarks.

Managing accounts with performance-based return fee structures side-by-side with accounts without those structures generates conflicts of interest that may not exist with fee structures comprised solely of fixed fee arrangements. For example, an account with a performance-based fee could incentivize LaSalle to focus greater attention on that account at the expense of other non-performance based fee accounts in order to maximize the fees for LaSalle. Side-by-side management could also incentivize LaSalle to cause the account to pursue greater risks in order to achieve higher fees for LaSalle. LaSalle believes the following factors help mitigate this conflict:

- LaSalle co-invests through an affiliate in its sponsored private funds and, in some cases, alongside custom accounts, which further aligns LaSalle's interests with those of the investors and clients, respectively;
- LaSalle's ability to raise future capital and its success as an investment manager on a go-forward basis is dependent upon the success of its overall investment program for all of its private funds and custom accounts;
- LaSalle allocates potential investments among its accounts on a rotational basis and in an open-book format, which allows clients to review the decision making process (see more detail below);
- investment guidelines often restrict how LaSalle can allocate monies with respect to the type (i.e., industrial, office, apartment, retail), strategy (i.e., core, value-add, opportunistic) and geographic region;
- each account presents an annual strategic plan to LaSalle's Investment Committee; and
- LaSalle's Investment Committee monitors the purchase and sale of properties and the performance of those assets on a regular basis.

A particular investment opportunity may be appropriate for more than one account. LaSalle adopted allocation procedures to ensure it allocates potential real estate investments in a fair and transparent manner. LaSalle's general policy is to allocate investment opportunities in an open-book process so that each actively investing client is treated fairly regarding the available allocations, including properties that ultimately are acquired. An allocation priority is established for each allocation meeting based on the time elapsed since each client's most recent first round allocation. The longer the elapsed time, the higher the client's position is in the allocation queue. Every selection made in the first round of allocations will impact the order of the queue for the following allocation meeting. If there are no first selections made in the first round of an allocation meeting, the order of the queue will remain the same for the next allocation meeting regardless of whether any allocations are made in the subsequent rounds. When an allocation is made during the first round, the client to whom a property is allocated will drop to the bottom of the allocation queue for the next meeting. This client will rise up in the allocation queue as other clients receive allocations in the first round. For those clients being considered for a specific allocation, the respective portfolio managers will be asked in descending order (i.e., starting with the client with the first priority and working down to the client with the least priority) if they wish to select a property for allocation. Properties will be allocated to the client which expresses an interest in selecting a property for allocation and which is ranked highest in the allocation queue. Consequently, it is possible for a client with a low allocation position to be awarded an allocation for a specific property if higher ranked clients are not willing to "spend" their allocation priority. If an "active client" is in the top spot of the queue and has not selected an allocation for six weeks, it will be deemed to have made a selection and drop to the bottom of the rotation. This is intended to assure that clients are truly "active" and not occupying the top allocation spot for the "once in a year" deal.

In some cases, portfolio managers may have responsibility for more than one client. To the extent possible, LaSalle assigns portfolio managers clients with different strategies in order to mitigate the potential for conflicts resulting from one portfolio manager having more than one client. In addition, LaSalle believes its allocation process and investment committee also mitigates any resulting conflicts.

Under certain circumstances, LaSalle's Head of U.S. Acquisitions, Regional Chief Executive Officer and Regional Chief Operating Officer may, by at least two votes, determine that a property otherwise appropriate for allocation should not be allocated through LaSalle's allocation process (e.g., where a property available for allocation conflicts with a property currently held in an existing client's portfolio). To the extent that such a decision is made, information about the property and the rationale behind not including it in the allocation process will be disclosed during the applicable allocation meeting and documented as part of the minutes of the meeting.

LaSalle does on occasion allocate off-market deals to a client brought to it by such client. In addition, LaSalle occasionally allocates a transaction to a client outside of the allocation process when it is clear that no other client's strategy will support the transaction. Any such transactions are recorded and reported as part of the allocation process in the meeting minutes.

Item 7. Types of Clients

LaSalle provides real estate investment management and advisory services to custom accounts, private funds and public, non-traded REITs, all of whose assets are comprised generally of investments in real estate. All of LaSalle's custom account clients are institutional investors, including public and private pension plans. Additionally, LaSalle will serve as an advisor or manager to special purpose vehicles organized to hold title to real properties on behalf of clients or to act as borrowers for loans related to such properties.

LaSalle imposes investment minimums for its private funds on a fund-by-fund basis depending on, among other things, the target raise of the fund and the types of entities investing in the private fund. The minimum investment amount in private funds generally is $5,000,000, although LaSalle has discretion to accept a lower investment amount. Custom account clients are generally required to invest at least $500,000,000 with LaSalle, although LaSalle has discretion to accept a lower investment amount. Shares of IPT are offered with a $10,000 minimum initial investment.

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

A. Methods of Analysis and Investment Strategies

LaSalle characterizes its investment strategies generally as core, value-add and opportunistic:

- a "core" strategy seeks to invest in real estate assets with stable current income and appreciation returns commensurate with a low to moderate level of risk. The majority of the return will be based on income. Investments are typically located in major markets and are substantially leased, institutional-quality assets. Leverage is moderate with generally an upper limit of 50% loan to value.
- a "value-add" strategy seeks to invest in real estate assets with a moderate risk profile and greater appreciation potential than core. The returns will come from a blend of income and appreciation. Leverage is generally limited to 65% loan to value. A "value-add" strategy generally involves some amount of capital investment in the asset to grow property income.
- an "opportunistic" strategy seeks to invest in real estate assets with high-risk attributes; returns are often largely dependent on future appreciation. Leverage can be up to 75% loan to value or greater. Investments in operating companies and development will also be considered.

These strategies define the types of properties LaSalle will purchase on behalf of a client. LaSalle's process for identifying assets for a client is generally consistent across all strategies.

Each client account is staffed with a fund or portfolio manager. In some cases, depending on the size of the client, these individuals may have responsibility for more than one client. The fund or portfolio manager is responsible for ensuring that the investment objectives of the client are being executed properly.

LaSalle's primary groups supporting its fund or portfolio managers are its Research and Strategy Team, Acquisitions Team, Due Diligence Team, Asset Management Team, Accounting Team and Investment Committee. The Research and Strategy Team guides the investment process at both the macro (top-down) and micro (bottom-up) levels. A top-down approach is used to monitor local, regional, national and global economic and investment trends and to guide overall investment strategy. A number of databases and econometric forecasting models developed by LaSalle are also used to coordinate strategy and guide decision-making. Once appropriate investment opportunities have been identified, a bottom-up approach is used to closely examine the fundamentals impacting the potential real estate opportunity at a "micro" or submarket level. The bottom-up approach is also used, in some cases, to uncover and identify investment opportunities or risks that may not otherwise be known to the wider marketplace.

LaSalle's Acquisition Team is responsible for identifying potential acquisitions for clients. During the acquisitions process, LaSalle conducts physical, environmental, economic and legal due diligence on all potential investments as part of the underwriting process. Legal due diligence, including title and survey work, is conducted by external counsel and overseen by LaSalle's Acquisitions Team. Physical and environmental due diligence is conducted by third party consultants under the scope and direction of the LaSalle Due Diligence Team. The acquisitions officer responsible for sourcing the investment opportunity, working in conjunction with the Acquisition Team, Asset Management Team, fund or portfolio manager, and legal counsel, leads the economic due diligence process. Economic due diligence includes a review of all leases and tenant correspondence, tenant receivables, operating expenses, real estate taxes, recent capital expenditures and any pending litigation.

The Investment Committee is comprised of seven of the most senior executives of LaSalle. The Investment Committee approves the annual strategic plans of all clients and funds as well as all property transactions, both acquisitions and dispositions, prior to execution.

Investing in real estate and securities involves risk of loss that all clients should be prepared to bear. Although LaSalle's clients generally do not invest in securities, investors in LaSalle's private funds generally would be deemed to be investing in a security, and they should be prepared to bear the risk of loss associated with investments in private funds.

B. Risks Associated with Investing in Real Estate and/or LaSalle-Sponsored Private Funds

Impact of Real Estate Cycle

Historically, real estate has experienced significant variations and cycles in value and local market conditions, which may result in reductions in the value of real property and, possibly, the income generated by real property. All real estate-related investments are subject to the risk that a general downturn in either the national or the local economy will weaken real estate prices and revenues.

Economic turmoil may adversely affect investments in real estate by, among other things: (i) a decline in the value of real estate and real estate securities, which may continue for a prolonged period, resulting in higher volatility and an uncertain business environment for investors, and (ii) a lack of available credit, lack of confidence in the financial sector and reduced business activity.

LaSalle may not be able to timely anticipate or manage existing, new or additional risks or developments, including regulatory changes and trends in new products and services.

Real Property Risks

Investments in real property are subject to differing risk levels. The yields available from equity investments in real estate depend on a variety of factors including the amount of income earned and capital appreciation generated by properties as well as the expenses incurred. If real estate assets do not generate enough income to meet their operating expenses, including debt service and capital expenditures, the ownership of such real estate could be adversely affected. Income from, and the value of, real estate is affected by the general economic climate, local conditions such as oversupply or a reduction in demand for such properties, attractiveness to potential tenants, competition from other properties, increases in maintenance, insurance and operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues and real estate values are affected by such factors as the cost of complying with regulations and the potential for liability under applicable laws, including changes in tax laws, and interest rate levels and the availability of financing. Income from real estate investments is adversely affected if a significant number of tenants are unable to pay rent or if properties are vacant and cannot be rented on favorable terms. Certain considerable expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

Highly competitive market for investment opportunities

There is significant competition for real estate investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to clients. As a result of this competition, LaSalle may not be able to take advantage of attractive investment opportunities from time to time. No assurance can be given that LaSalle will be able to acquire properties, and real estate-related debt investments on terms, including financing, favorable to LaSalle clients.

Possible Inability to Complete Renovation, Expansion or Development on Advantageous Terms

One strategy employed by LaSalle to varying degrees depending on the client is to invest in renovation, expansion and development opportunities. Investments involving renovation, expansion and/or development of real estate involves significant risks in addition to those involved in the ownership and operation of properties, including the risks that favorable financing may not be available and that construction may not be completed on schedule or within budget, resulting in increased debt service expense and/or construction costs and delays in leasing and generating cash flow. Substantial renovation, expansion and development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, new, expanded or renovated properties may perform below anticipated levels and produce cash flow below forecasted amounts. In addition, substantial renovation and expansion, as well as new development activities, regardless of whether they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert management's time from the other investment activities. Renovation, expansion or development activities may be financed through construction loans, in which case there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms.

Concentration of Investment in the Real Estate Sector

LaSalle provides investment advice exclusively with respect to real estate and real estate-related investments. Only a portion of an investor's overall portfolio should be allocated to real estate and real estate-related investments.

Real Estate Investments are Illiquid

Because private real estate investments are relatively illiquid, LaSalle's ability to sell properties or diversify a portfolio in response to changing economic, financial and investment conditions is limited.

Investments in the Private Funds are Illiquid

There is a limited private market for secondary investments in the private funds. Investors in closed-end funds typically have no redemption rights. Investors in open-end funds have limited rights to redeemed as described in such funds' Governing Documents.

Adverse economic and other conditions can negatively affect occupancy levels and lease rates

Adverse economic or other conditions would be expected to lower real estate occupancy levels and limit the ability of property owners to increase rents. The following factors, among others, may negatively affect real estate investments:

- local or regional real estate property leasing market conditions;
- period of economic slowdown, recession or rising interest rates or the public perception that any of these events may occur;
- increased operating costs;
- changes in supply of, or demand for competing properties in an area;
- the impact of environmental protection laws;
- acts of gods, terrorist acts, civil disturbances or acts of war that may result in uninsured or underinsured losses or render such properties less desirable in the marketplace; and
- changes in tax, real estate and zoning laws.

Leasing delays or tenant bankruptcies impact real estate cash-flows

Real estate investments are dependent upon the payment and performance of lease obligations by tenants, such as property maintenance, payment of taxes, utilities and other charges and maintenance of insurance. Property owners do not have control over the success or failure of their tenants' businesses and, at any time, a tenant may experience a decline in its business that may weaken its financial condition. As a result, tenants may delay lease commencement or renewal, fail to make lease payments or declare bankruptcy. Any of these events could result in the termination of the tenant's lease.

If a tenant is unable to satisfy the terms of its leases, the property owner may be forced to modify the lease to the owner's detriment. Alternatively, the failure of a tenant to satisfy a lease or to renew a lease could require the owner to declare a default, repossess the property, find a suitable replacement tenant, operate the property or sell the property.

Any bankruptcy filings by, or relating to, a tenant could bar all efforts to collect pre-bankruptcy debts from that tenant or seize its property, unless the creditor receives an order permitting such collection from the bankruptcy court, which it may be unable to obtain. A tenant bankruptcy could also delay the property owner's efforts to collect past due balances under the relevant leases and could ultimately preclude full collection of these sums. If a tenant assumes the lease while in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to the property owner in full. However, if a tenant rejects a lease while in bankruptcy, the owner would have only a general unsecured claim for pre-petition damages. Any unsecured claim may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims.

Debt Financing

LaSalle employs the use of leverage to the extent permitted by the specific client. LaSalle may cause the clients to incur secured, unsecured, recourse and non-recourse debt. Clients that employ leverage are subject to risks normally associated with debt financing, including the risk that cash flow after debt service will be insufficient to accumulate sufficient cash for distributions, the risk that existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced, that the terms of available refinancing will not be as favorable as the terms of existing indebtedness or that the loan covenants will not be complied with. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, it is possible that the client's cash flow may not be sufficient in all years to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase. If a property is mortgaged to secure payment of indebtedness and the client is unable to meet mortgage payments or otherwise comply with loan covenants, the property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

Debt Investments

Clients may originate, participate in and/or acquire 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, LaSalle 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 mortgage loan documents and will have rights that are subordinate to those of senior lenders. In certain circumstances, the client's loans may not be secured by a mortgage but instead by partnership interests or other collateral that may provide weaker rights and remedies for defaults than a mortgage. 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 depend on 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.

Hedging against interest rate exposure may result in losses

Subject to client restrictions, LaSalle may enter into interest rate swap agreements to hedge interest rate risk or pursue other hedging strategies. Clients' hedging activity will vary in scope based on the level and volatility of interest rates, the type of portfolio investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect clients because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;

- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the client's ability to sell or assign its side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- the client's hedging activity may adversely affect its earning.

The decision to enter a hedging transaction is predicated on the expectation of future movements of interest rates, and changes in interest rates may result in poorer overall investment performance than if the client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, LaSalle may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent a client from achieving the intended hedge and expose the client to risk of loss.

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).

Cyber Security Risk

With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

Regulation and Enhanced Scrutiny of the Private Investment Fund Industry

In July 2010, the Dodd-Frank Wall Street Reform Act (the "Dodd-Frank Act") was signed into law in the U.S. The Dodd-Frank Act is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions. The continued adoption of these regulations and decisions will determine the impact of the Dodd-Frank Act on LaSalle and other financial services firms. The Dodd-Frank Act may significantly change LaSalle's operating environment and the financial markets in unpredictable ways. It is not possible to predict the effects that the Dodd-Frank Act, or subsequent implementing regulations and decisions, will have upon business, financial condition, and operations.

Properties Owned Through Partnerships and Joint Ventures

LaSalle may cause its clients to invest in joint ventures with developers or other unaffiliated persons or entities active in the real estate business. Joint venture investments involve the risks that the joint venture partner might become bankrupt (in which event the client could remain liable for the obligations of such joint venture), that such joint ventures might have economic or other business interests or goals that are inconsistent with the business interests or goals of the client, and that such joint ventures may be in a position to take actions contrary to LaSalle instructions or requests or contrary to the client's policies or objectives. In addition, agreements governing joint ventures often contain restrictions on the transfer of a joint venture's interest, "buy-sell" or similar provisions that may result in a requirement that the client purchase or sell its interest at a disadvantageous time or on disadvantageous terms.

Government Property Regulations

Governmental authorities at the federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land use, zoning restrictions and environmental protection. Such regulations may hinder or prevent planned renovation, expansion or development. Even with respect to improved real estate, regulations may be promulgated which would have the effect of restricting or limiting certain usages of existing structures, or requiring that such structures be renovated or altered in some fashion. Such regulations could have the effect of increasing the expenses or lowering the profitability of any of the affected properties. One example of such regulation is the institution of rent controls or other economic controls.

Environmental Regulation

LaSalle engages environmental experts to conduct on-site studies and studies of the history and current usage of properties, as it deems appropriate. However, environmental studies cannot guarantee that LaSalle will be aware of all contamination at such properties and the costs of removal, management or remediation, either because such conditions were latent or because of changes in laws and regulations. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of investigation, remediation, management or removal of the substances may be substantial, and the presence of such substances or the failure to properly remediate may adversely affect the owner's ability to sell or rent such property or to borrow against the property. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages it incurs in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. In connection with its ownership and operation of real estate, clients may incur liability for such costs.

Litigation

In the ordinary course of its business, owners of 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.

Property Management and Leasing

LaSalle relies on third party property managers and leasing agents to manage and lease vacancies in client properties. The third party property managers have decision-making authority with respect to the management of our properties in accordance with the terms outlined in legal agreements with those service providers. LaSalle's ability to direct and control how client properties are managed on a day-to-day basis may be limited because third parties are engaged to perform specific duties on behalf of the owner. Any adversity experienced by property managers or leasing agents could adversely impact the operation and profitability of client properties.

Item 9. Disciplinary Information

Neither LaSalle nor its management persons have been involved in legal or disciplinary events that are responsive to Items 9.A, 9.B. or 9.C of this Brochure. Neither LaSalle nor its management persons have any other material legal or disciplinary events.

Item 10. Other Financial Industry Activities and Affiliations

A. Some of LaSalle's management persons are registered representatives of a broker-dealer subsidiary of LaSalle. The subsidiary, LaSalle Investment Management Distributors, LLC, is directly wholly-owned by LaSalle and is a member of FINRA.

B. Neither LaSalle nor any of its management persons are registered or have an application pending to register as a future commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

C. LaSalle has the following relationships with its affiliates that it believes are material to its business:

1. LaSalle Investment Management Distributors, LLC. LaSalle engages LaSalle Investment Management Distributors ("LIMD") to distribute and/or market the securities of LaSalle-sponsored funds. The registered representatives of the broker-dealer are dual employees of LaSalle. Some dual employees are engaged in both LaSalle's advisory activities and the brokerage activities of LIMD. Other dual employees dedicate 100% of their time to LIMD's wholesaling activities associated with a public, non-traded REIT for which LaSalle is engaged as the advisor. LaSalle assumes the compensation costs of the registered representatives in accordance with an expense sharing agreement that is consistent with NASD Notice to Members 03-65.

   Registered representatives of LIMD are incentivized to solicit investors for investments in LaSalle-sponsored private funds. LaSalle believes this risk is mitigated in part through its internal review processes of the marketing materials that are presented to investors. LaSalle-sponsored funds are targeted generally to major institutional investors that have experience, or hire consultants who have experience, with real estate investing. LaSalle itself is also motivated to maintain its strong reputation in the real estate investment community and incentivized to ensure investors understand LaSalle's investment strategies, processes and capabilities prior to accepting subscriptions. Lastly, potential investors have the ability to meet with and request additional information from senior members of the management team.

2. Jones Lang LaSalle Incorporated. LaSalle obtains investment real estate research from its sister affiliate entities operating under the Jones Lang LaSalle

Incorporated (**JLL**) family of subsidiaries. In addition, if permitted under the applicable investment management agreement or other Governing Documents, LaSalle may engage its affiliates to perform property management and real estate related transaction services. In accordance with client documentation, LaSalle is generally required to hire affiliates on competitive terms and conditions and often as a result of a competitive bidding process and such transactions are generally required to be disclosed in accordance with such documentation. Some clients also require affiliate transactions to be terminable upon thirty days' notice. LaSalle believe that the affiliation with JLL and access to its platform is a benefit that its clients expect. However, having multiple affiliates that are in the real estate services business may give rise to a conflict of interest if LaSalle has discretion to select, or is responsible for recommending to a client, service providers that are affiliates.

3. <u>LIM Inc. is affiliated with other LaSalle entities that are also investment advisers registered in accordance with SEC guidance under the Advisers Act and serve as managing members or general partners of private investment funds and custom accounts. These parties include:</u>

LaSalle – VA Industrial GP, LLC

LaSalle CAVA Industrial MM, LLC

LaSalle GENCO G.P., L.L.C.

LaSalle Income & Growth Fund VI GP, L.L.C.

LaSalle Income & Growth Fund VII GP, L.L.C.

LaSalle LIC II A GP Ltd

LaSalle LIC II B G.P., LLC

LaSalle Mexico I (General Partner), LLC

LaSalle Property Fund GP, L.P.

LaSalle Ranger Co-Investment Fund G.P., L.L.C.

LaSalle Ranger Co-Investment Fund II G.P., L.L.C.

LaSalle Ranger Co-Investment Fund III G.P., L.L.C.

Salt River Investors GP, LLC

LaSalle Mariner Co-Investment Fund G.P., L.L.C.

These affiliated investment advisers operate as a single advisory business together with LIM Inc. and may share common owners, officers, partners, employees, consultants or persons occupying similar positions. All of these entities are under common control and subject to LaSalle's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

Item 11. <u>Code of Ethics, Participation or Interest in Client Transactions (including Principal and Cross Transactions) and Personal Trading</u>

A. LaSalle's Code of Ethics (the "Code") is designed to comply with Rule 204A-1 of the Adviser's Act. The Code prohibits, among other things, any LaSalle supervised person from (i) entering an order to make an investment that anticipates (i.e., front runs) or competes with a customer/fund order or investment, (ii) purchasing an interest in a private offering without the prior approval of the CCO, (iii) purchasing an interest in a publicly offered REIT without the prior approval of the CCO, and (iv) transacting in any security if the decision is based on material non-public information. Additionally, the Code requires certain LaSalle employees ("Access Persons") to make initial (upon becoming subject to the Code) and annual securities holdings reports to LaSalle that identify all brokerage accounts in which the Access Person has any direct or indirect beneficial interest. These reports contain information about the securities held in such brokerage accounts. The Code also requires Access Persons to provide quarterly transaction reports to LaSalle or to instruct their brokers to provide duplicate confirmations for all securities transactions to LaSalle. LaSalle will provide any current or prospective client with a copy of the Code upon request. LaSalle or its personnel may, from time to time, come into possession of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, LaSalle and its personnel are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of LaSalle. Accordingly, should LaSalle or its personnel come into possession of material non-public or other confidential information with respect to any public company, LaSalle is prohibited from communicating such information to clients and has no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law.

B. LaSalle sponsors private funds that invest in real estate and serves as the advisor to such funds. Depending on the structure, a LaSalle affiliate would act as the general partner or managing member of the fund and/or its employees would serve in certain key capacities with the general partner. LaSalle would also be engaged to act as the adviser to the private fund. During the fund-raising stage, senior LaSalle employees dedicated to the fund participate in the solicitation process. However, the compensation structure of its fund management team is based in part on the overall performance of the fund itself not pure solicitation activities. LaSalle also prepares its marketing materials consistent with the Advisers Act, and requires the information presented in its materials to be supported by data. LaSalle employees dedicated to marketing and client engagement are also registered representatives of LaSalle's affiliated broker-dealer, LIMD, and these individuals also participate in the solicitation process in a "finder" capacity. As explained above, the registered representatives are incentivized to recommend LaSalle's private funds to institutional investors because of the indirect compensation they may be awarded in the form of an annual bonus. These conflicts are addressed in part by their adherence to FINRA's suitability requirements and LaSalle's general motivation to admit only sophisticated investors, which are primarily institutional, to the applicable fund given the long-term investment horizon such a commitment requires.

Entities managed by LaSalle or an affiliate of LaSalle have co-invested in LaSalle-sponsored funds, as well as some custom accounts structured as partnerships. For certain co-investments, an affiliate of LaSalle owns approximately 49% of the co-investment entities and for others affiliates also co-invests directly in LaSalle-sponsored funds and custom accounts. All co-investments are on terms and conditions comparable to those of the custom account client or other private fund investors. LaSalle notes that some major investors in private funds and many custom accounts condition their investment upon LaSalle's co-investment in the private fund or alongside the custom account. In these cases, LaSalle has an indirect interest in the fund and also serves as the adviser to the fund. In some cases, investors in private funds and custom accounts also require co-investment by employees involved in management of the account. LaSalle believes the co-investment structure aligns the interests of LaSalle and its employees with those of the investors and clients. A conflict that may arise in this structure could be an event that causes the interest of LaSalle and its affiliates and/or employees to diverge from those of the private fund investors or the custom account. LaSalle believes these conflicts are mitigated generally through LaSalle's fiduciary obligations to act in the best interest of its clients, as well as the allocation process and investment committee. LaSalle believes that contractual limitations in the investment management agreements that govern LaSalle's activities as advisor and the necessity of maintaining LaSalle's strong reputation in the real estate investment advisory marketplace also serve to ensure that LaSalle appropriately address conflicts.

C. LaSalle does not generally engage in principal or cross transactions. If LaSalle were to engage in principal or cross transactions, LaSalle would not, without obtaining the consent of any impacted client, or in the case of a private fund, the fund's advisory board, prior to the settlement of such transaction: (i) as principal, sell an asset to, or buy an asset from, any client; or (ii) cause the client(s) to participate in a cross transaction in which LaSalle arranges for a client to buy an asset from, or sell an asset to, another client. In particular, LaSalle would not engage in such transactions without providing appropriate disclosure and obtaining the prior informed consent from the client(s).

D. LaSalle recommends to clients from time to time investments in commercial paper, certificates of deposit and/or U.S. government securities for short-term cash management activities, which could be the same investments in which LaSalle may invest to manage cash proceeds received by LaSalle as a result of LaSalle's co-investment initiatives with its clients. LaSalle views this activity as a ministerial and administrative portion of its overall services and as a mechanism to protect client funds from bank failure risks. LaSalle generally does not charge any additional fees for its cash management activities.

In more limited situations, LaSalle may also direct client funds to purchase equity investments in the private real estate sector and opportunistic investments in private real estate loans, including participating loans. Similar to the paragraph immediately above, LaSalle's co-investment vehicle would also be the beneficiary of the advice that LaSalle would be providing to the fund.

E. As a general matter, LaSalle does not recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that LaSalle or its related persons buys or sells the same securities for LaSalle's or the related person's own account. In certain circumstances, LaSalle or its related person will co-invest in an investment or private fund alongside a client.

Item 12. <u>Brokerage Practices</u>

Given the nature of LaSalle's investment program, it generally does not provide investment management services with respect to publicly traded securities. In the event LaSalle executes a brokerage transaction for a private fund or custom account, it will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

Item 13. <u>Review of Accounts</u>

LaSalle reviews client accounts and financial plans on a periodic basis. On an annual basis, LaSalle's Investment Committee reviews all client accounts based on a set of pre-established criteria that are reflected in the investment management agreements entered between LaSalle and the client, as well as the input from analysts and portfolio managers. The review includes performance, client objectives and guidelines, and other criteria relevant to the types of real estate assets held in the accounts.

In addition, on an annual basis, each portfolio manager prepares a portfolio level strategic plan for the upcoming year that is reviewed by the Investment Committee in order to establish performance standards. As part of the annual review of the portfolio, the portfolio's performance is then assessed and compared to the budget benchmarks and strategic plan for that portfolio and against the financial performance of the portfolio in prior year. Strategic plans are the basis for all investment decisions for the both the portfolio and underlying properties, focused on, but not limited to, the following items:

- review of and alignment with client objectives;
- performance against prior year's objectives;
- major lease expiration schedule and debt maturity schedule for the portfolio;
- updated cash flow and return projections;
- updated property valuations;
- hold/sell recommendations; and
- key initiatives to be accomplished during the upcoming year.

In addition to the annual plans described above, LaSalle's client teams prepare quarterly written reports to clients. The reports include unaudited financial statements, which are prepared and reviewed by internal accounting professionals. In the substantial majority of cases, year-end financial statements are audited by certified public accountants, most of which are one of the "bigfour" accounting firms and all of which are AICPA independent of LaSalle and the account they are auditing. Capital items, including paid in capital, invested capital and distributions are reviewed by internal accounting professionals as transactions occur to ensure they are completed in accordance with the custom account or fund agreements and/or bylaws.

In general, written quarterly reports and financial statements are issued to clients between 45 and 60 days after quarter-end. Quarterly reports contain a high-level executive summary, financial schedules, property profiles and fair value based financial statements. Client financial statements detail the contributions, distributions and ownership amounts of each client's investment. Electronic quarterly reports and financial statements are provided to clients via a secured website. Email notifications are sent to clients when reports and statements are available. Hard copies are made available upon request.

Item 14. Client Referrals and Other Compensation

LaSalle does not have an arrangement with a non-client whereby LaSalle receives an economic benefit as a result of the non-client providing investment advice or other advisory services to our client(s). Employees at other LaSalle affiliates participate in soliciting investors for LaSalle's clients, which is taken into account at year-end compensation determinations for such affiliates.

As noted above in Item 10 "*Other Financial Industry Activities and Affiliations*", LaSalle compensates its dual employees acting as registered representatives of LIMD through an expense sharing agreement for their efforts in distributing interests in LaSalle-sponsored funds. LaSalle dual employees will not be acting as supervised persons of LaSalle at such times they are acting as registered representatives of the broker-dealer.

Item 15. Custody

To the extent that LaSalle has custody of client securities, it arranges for the qualified custodian(s) of client bank accounts associated with those securities (and which do not otherwise qualify for an exemption under Rule 206(4)-2(b) of the Advisers Act) to deliver bank account statements to clients, or an independent representative that LaSalle has engaged to receive bank account statements, on at least a quarterly basis. Clients or the independent representative will receive these account statements directly from the qualified custodian in these cases. In all cases, clients, or if applicable, investors that receive bank account statements from the qualified custodian should and are directed to carefully review the statements. In addition, LaSalle arranges for surprise examinations of client accounts by an independent public accountant for those client accounts (i) over which LaSalle has custody of both client securities and cash and (ii) which do not otherwise qualify for an exemption under SEC Rule 206(4)-2. LaSalle notes that in all cases client cash is held at banks that are qualified custodians as defined by SEC Rule 206(4)-2.

Clients may also require LaSalle to provide quarterly statements (please see Item 13 "*Review of Accounts*" above) that provide transactional and financial information about the account. In addition to carefully reviewing the bank statements themselves, clients should and are directed to compare the bank statements with the quarterly account statements that are received from LaSalle.

Item 16. <u>Investment Discretion</u>

LaSalle accepts discretionary authority to manage accounts on behalf of clients. Limitations on this authority are reflected in a written investment advisory agreement between LaSalle and the client, as well as in the Governing Documents of LaSalle-sponsored private funds. Limitations vary among agreements, but customarily address the following points:

- level of authority granted to LaSalle to purchase and dispose of real estate related assets;
- property type and class and geography;
- authority to effect leases and mortgage financing;
- authority to open bank accounts;
- ability to make capital and tenant improvements;
- ability to hire third parties, including affiliates, to perform obligations arising under the agreement;
- content and timing of written reports to the client; and
- calculation of fees.

LaSalle customarily does not execute other documentation to evidence its authority to execute transactions on behalf of the client's account.

Item 17. <u>Voting Client Securities</u>

LaSalle's primary business is to provide investment advisory services for direct real estate investing on behalf of institutional clients. These activities generally do not involve investments in publicly-traded securities and proxy voting services are not included in LaSalle's services to clients. However, LaSalle may, from time to time, receive amendments, consents or resolutions applicable to investments held by clients (collectively, "proxies"), such as limited partner consents for real estate private equity funds in which the clients may invest, and is generally granted authority to vote and consent on such matters on behalf of clients. LaSalle's proxy voting policies and procedures seek to ensure that LaSalle votes proxies in the best interest of its clients and consistent and in a manner consistent with its fiduciary duties, including where there may be material conflicts of interest. Clients may obtain a copy of our proxy voting policies and procedures as well as the voting records relating to proxies upon request.

Item 18. <u>Financial Information</u>

LaSalle does not require or solicit prepayment of any fees from its clients. LaSalle is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. LaSalle has not been the subject of a bankruptcy petition at any time during the past ten years.