

**Item 1 – Cover Page****GUGGENHEIM REAL ESTATE LLC****BROCHURE****March 16, 2011**

This Brochure provides information about the qualifications and business practices of Guggenheim Real Estate LLC (“GRE”). If you have any questions about the contents of this Brochure, please contact us at 704-805-1004 or [kmilheim@guggenheimrealestate.com](mailto:kmilheim@guggenheimrealestate.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Guggenheim Real Estate LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Guggenheim Real Estate LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2 – Material Changes**

On October 12, 2010, amendments to Form ADV previously adopted by the United State Securities and Exchange Commission (“SEC”) became effective and amend the disclosure document that we provide to clients as required by SEC rules. This Brochure dated March 15, 2011 is a new document prepared according to the SEC’s new requirements and rules. Therefore, this document is materially different in structure and includes new information that our previous Brochure did not require or include. Please read this brochure carefully.

Beginning in 2012 this Item will provide a summary of specific material changes that were made to the Brochure since the last annual update of the Brochure on March 30, 2011. Pursuant to new SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year.

Currently, our Brochure may be requested by contacting Kate Milheim at [kmilheim@guggenheimrealestate.com](mailto:kmilheim@guggenheimrealestate.com).

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**Item 4 – Advisory Business**Firm Description

Guggenheim Real Estate LLC (“GRE”) began its investment management business in January 2002 and serves as investment manager to private real estate investment funds (hereafter referred to as “Fund(s)” or “Client(s)”) offered to investors that are both qualified purchasers and accredited investors, including but not limited to high net worth individuals, pension and profit-sharing plans and trusts, estates and charitable organizations (each, an “Investor”).

Principal Owners

Guggenheim Real Estate LLC is approximately 40% owned by Guggenheim Real Estate Partners L.P. and approximately 60% indirectly owned Guggenheim Partners, LLC (“Guggenheim Partners”) through GPFT Holdco, LLC and GP Holdco, LLC. The owners of Guggenheim Real Estate Partners L.P. include certain GRE employees. Guggenheim Partners is owned by Guggenheim Capital, LLC which is owned in part by Sage Assets, Inc. Sage Assets, Inc. is wholly-owned by Consolidated Investment Services, Inc., which is wholly-owned by Sammons Enterprises, Inc., which is owned by Sammons Enterprises, Inc. Employee Stock Ownership Trust.

Types of Advisory Services

GRE’s advice is limited to real estate investments. In 2002, GRE began to invest using a new generation of research models it had developed for an actively managed portfolio that would invest across the full spectrum of the U.S. commercial real estate market. This approach included two key and distinctive elements. First, strategy (i.e. the assessment of value, or where cash flows could be purchased the cheapest) was separated from execution (i.e. the portfolio implementation of value). GRE would use top-tier investment managers and real estate operating partners rather than in-house or “owned” acquisition/execution teams. The inclusion of external managers allows GRE’s in-house research and analytics to be supplemented by additional bottom-up analysis from real estate operating partners currently working in local markets across the U.S. Second, a strategic allocation to the commercial real estate sector should access all elements of the available institutional investment universe. As a result, the investment approach, and supporting analytics were designed to assess the relative value between the publicly held and privately held aspects of commercial real estate.

GRE selects investments for the Funds across the full spectrum of the real estate market, including public real estate equity securities (REITs), direct properties, public and private real estate debt, commercial mortgage-backed securities (CMBS), high yield debt, real estate derivatives, public and private open-end and closed-end funds, and partnership units purchased on the secondary market. Investors may not impose specific restrictions on the Funds’ investments.

GRE sub-manages the BACAP Diversified Real Estate Fund, L.P. and the BA Diversified Real Estate Fund, L.P. (the “Sub-advised Funds”) through sub-advisory arrangements. Both Sub-advised Funds are limited to real estate investments. The Sub-advised Funds are managed by BACAP Alternative Advisors, Inc., which is the general partner of the Sub-advised Funds, and Banc of America Capital Advisors, LLC, which is the investment manager of the Sub-advised Funds. BACAP Alternative Advisors, Inc. is a wholly-owned indirect subsidiary of Bank of America Corporation.

The PLUS Funds

These open-end unregistered funds invest in a broad range of real estate and real estate-related assets, which may include separately managed accounts with real estate investment managers, variable annuity contracts backed by insurance company separate accounts, publicly-traded real estate securities, public and private open-end real estate funds, units of privately-held real estate partnerships, real estate joint ventures, and private debt and commercial mortgage-backed securities that offer equity-like returns and derivative

instruments, the value of which is linked to the performance of real estate or real estate-related assets. In addition, GRE's Clients will invest, directly and indirectly, in other Funds managed by GRE and its affiliates in order to gain exposure to certain investment types. GRE's Funds provide its Investors the opportunity for a diversified portfolio that is managed with a relatively small capital commitment.

#### The International Fund

This Fund is a closed-end multi-manager investment vehicle that invests in real estate funds, real estate securities and real estate related assets in both developed and emerging markets outside the United States. The Fund will seek a portfolio of investments that is broadly allocated and diversified across multiple strategies, fund managers, property types, economic regions and currencies. GRE acts as sponsor to the fund. The manager of the Fund's operations is GREI Manager LLC, a Delaware limited liability company and wholly owned subsidiary of GRE.

#### Assets under Management

As of December 31, 2010, GRE has \$647,200,000 discretionary assets under management and no non-discretionary assets under management.

### **Item 5 – Fees and Compensation**

#### The PLUS Funds

GRE earns base management fees equal to the sum of the fees computed for each investor. The standard annual base management fee schedule (Tier 3) for Investors in the Funds is as follows:

<b>Net Asset Value</b>	<b>Annual Fee</b>
\$5 - \$20 million	0.60% on net asset value
Over \$20 million	0.50% on incremental net asset value

GRE through the Funds' General Partner or Trustee may waive or reduce the fee amounts with respect to particular Investors at its discretion. The base management fee is automatically deducted quarterly in arrears based on the net asset value of the units held by each Investor at the end of the quarter, prior to any reduction in net asset value for GRE's incentive fee. The base management fee computed for each Investor will be reduced by the Investor's pro rata share (based on units) of any management fees paid to GRE or its affiliates by any affiliated Fund in which a Fund invests including, but not limited to, the Guggenheim Real Estate Investment Trust ("Guggenheim REIT"), Guggenheim Real Estate Securities Fund LP ("GRES"), Guggenheim Real Estate Absolute Return Fund LP ("GREAR"), Guggenheim PLUS Mezzanine Finance L.P. Guggenheim PLUS Leveraged LLC and Guggenheim PLUS Unleveraged LLC (together, the "Lower Tiered Funds").

While the minimum initial investment for the Funds is \$5 million, subscriptions for a lesser amount may be accepted. In the event that an initial investment less than \$5 million but greater than \$1 million is accepted, the Investor will be charged an annual base management fee equal to 0.95% of the net asset value of their investment (Tier 2). For an initial investment that is accepted that is greater than \$250,000 but less than \$1 million, the Investor will be charged a base management fee equal to 1.25% of the net asset value of their investment (Tier 1). Once the net asset value of the investment reaches \$1 million the base management fee will reflect Tier 2 fee schedule and will remain on that schedule for the remainder of the life of the investment unless the investment reaches \$5 million. Once the net asset value of the investment reaches \$5 million, the base management fee will reflect the Tier 3 fee schedule stated above and the investment will remain on that schedule for the remainder of the life of the investment, unless the fee schedule is amended.

In addition, the Fund pays management fees charged by third party investment managers in connection with the Fund's investments, may pay performance or incentive fees, and pays other expenses incurred by the Fund.

## The International Fund

The fund will pay an annual management fee, paid quarterly in advance and automatically deducted, to GREI Manager LLC equal to (a) during the commitment period, 1% of the aggregate commitments, and (b) thereafter, 1% of the then aggregate amount of all capital contributions made by the partners and used by the fund to make investments, as reduced by (i) any portions thereof which have been returned by the fund to the partners, and (ii) the amount of any write-downs in the carrying value of any such investments. GREI Manager LLC may, however, waive or reduce the fee amounts with respect to particular Investors at its discretion. Because the Fund is a closed-end fund Investor interests are not redeemable; therefore, a refund of prepaid fees is not applicable.

GRE and GREI Manager LLC entered into a services agreement (the “Services Agreement”). Through the Services Agreement, GRE provides to GREI Manager LLC (i) employees who will perform services that will assist GREI Manager with its responsibilities to the fund and (ii) certain administrative services to GREI Manager LLC in exchange for the payment of a fee equal to 90% of the amounts received by GREI Manager LLC from the Fund pursuant to a management agreement entered into among the Fund, the General Partner and GREI Manager LLC.

The Fund pays management fees charged by third party investment managers in connection with the Fund’s investments in other funds, may pay performance or incentive fees, and pays other expenses incurred by the Fund.

GRE and supervised persons<sup>1</sup> of GRE do not accept compensation for the sale of Fund interests.

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

### The PLUS Funds

In addition to the base management fee noted above, Investors pay an incentive management fee equal to 20% of the amount by which the Fund’s return exceeds the *PLUS* benchmark, calculated on gross portfolio returns before fund level expenses and base investment management fees. The incentive fee is paid quarterly based on the previous four quarters’ performance (essentially 5%, or  $[20\% \div 4]$ , of the last four quarters’ outperformance is paid quarterly). For new Investors, payment of the incentive fee is deferred until the end of the fourth quarter following when their investment was made in the Fund and is based on the performance of the Investor’s initial four quarters of investment. For subsequent investments from current Investors, payment of the incentive fee is deferred until the end of the fourth quarter that the subsequent investment amount is in the Fund and is based on the performance of that investment amount’s initial four quarters. The *PLUS* benchmark is comprised of 70% NCREIF Property Index and 30% FTSE NAREIT Equity REITs Index (this is GRE’s view of the institutional universe and GRE’s neutral public/private allocation).

Investors in Guggenheim *PLUS* L.P. and Guggenheim Real Estate *PLUS* Trust pay an incentive fee to GRE. For Guggenheim *PLUS* II L.P., the incentive fee is structured as an allocation of income to the General Partner.

### The International Fund

A carried interest is paid to the General Partner of the International Fund. The distributions are structured as follows, in order of priority: (i) first 100% to the Partners in proportion to their respective capital contributions until they have received cumulative distributions equal to their aggregate capital contributions; then (ii) second 100% to the Partners in proportion to their respective capital contributions until they have

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<sup>1</sup> Supervised Person means an officer, partner or director (or people performing similar functions or occupying a similar role) or employees or others who provide investment advice on behalf of GRE.

received additional cumulative distributions equal to 8% compound cumulative annual return on capital contributions; then (iii) third 90% to all Partners in proportion to their respective capital contributions and 10% collectively to the General Partner.

Because the *PLUS* Funds invest within the United States and the International Fund invests exclusively outside the United States there is no incentive to favor the *PLUS* Funds over the International Fund in the selection of real estate investment opportunities.

### **Item 7 – Types of Clients**

GRE provides investment advice to pooled investment vehicles. Investors in these vehicles include but are not limited to high net worth individuals, pension and profit-sharing plans and trusts, estates and charitable organizations.

GRE also sub-manages the Sub-advised Funds as noted in Item 4 above. The Sub-advised Funds are also pooled investment vehicles.

Both the *PLUS* Funds and the International Fund have a minimum initial investment of \$5 million, however, at the discretion of the respective General Partner or Trustee, lesser amounts may be accepted. The *PLUS* Funds may co-invest in the Lower Tiered Funds, which are also managed by GRE, as a means to manage conflicts of interest among the *PLUS* Funds as they have similar investment objectives and policies.

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

#### The *PLUS* Funds

GRE performs both qualitative and quantitative analyses in evaluating investment strategies, investment managers and investment vehicles including, with respect to the *PLUS* Funds, the direct property investments. Qualitative analysis includes, among other things, review and assessment of a manager's investment process, sources of investment ideas, research methodology, valuation methodology, risk management techniques, method of operation, background, integrity, talent, assets under management, personal investing, organization and staff, and liquidity. Quantitative analysis is performed based on in-house financial models developed for investment analysis that forecast income growth and asset appreciation by property type and geography to identify the markets and investment types with the highest return potential. This information is used to determine the appropriate asset allocation among markets and investment types. These models pull financial data from various sources including Economy.com and Global Insight (formerly DRI/WEFA) for demand-side data and Dodge based on Dodge Pipeline data through a contract with Torto-Wheaton Research and REIS for supply-side data as well as SNL and NCREIF. Comparisons are performed between the results generated and those of other reputable data providers. Potential managers are specifically reviewed for correlation with various market indices and with other managers, and their performance is compared to other managers employing the same strategy. In addition, an analysis of worst loss period and fees is performed.

GRE's strategy with respect to the *PLUS* Funds uses the following investment techniques and vehicles in an attempt to achieve returns above its benchmark while minimizing risk:

- Property Type and Geography Weights – GRE will combine output from proprietary econometric and valuation models, manager feedback and market information to construct an asset allocation by property type and geography.
- Public versus Private Market Relative Value – GRE plans to adjust portfolio weightings between the public and private markets to take advantage of pricing differences identified by internal proprietary models.

- Fund Portfolio Evaluation – GRE will utilize proprietary models to evaluate a private real estate fund's value relative to other investment alternatives and assess its fit with GRE's portfolio allocation targets.
- Manager and Local Partner Evaluation and Execution – GRE will execute its strategy through a limited number of real estate investment managers and local operating partners from its evaluation of an expansive universe of managers, with a view towards selecting those managers with attractive local market knowledge and strong execution capabilities in each market segment, property type and geographic market.
- Leverage – GRE intends to use property specific debt and other leverage across portfolio investments. Leverage will be comprehensively measured across the portfolio, taking into account the leverage of entities in which the Fund invests.
- Active Management of Direct Properties – GRE will use its bottom-up research and top down economic forecasts to determine the appropriate risk profile of its direct property investments given the prevailing market environment.

GRE believes these strategies result in a fund portfolio with a broad range of real estate and real estate-related assets with minimized risk.

## The International Fund

GRE's strategy with respect to the International Fund consists of two concurrent processes in its construction of an investment portfolio broadly diversified across developed and emerging international markets:

- Utilization of in-house research and local market feedback to guide portfolio allocations - GRE will source extensive quantitative and qualitative country level data from multiple industry-leading providers, and will perform internal analyses to generate an international market appreciation forecast and economic correlation analysis. In addition, GRE will utilize constant input from local market participants to refine its top-down viewpoint generated from in-house research and portfolio strategy. The combination of this in-house research and local market feedback will identify the target markets, economic regions and weightings.
- Global manager sourcing and rigorous due diligence – GRE will use its network of global institutional real estate manager and research contacts to source a broad universe of manager candidates and perform initial underwriting of each manager's investment strategy, team, track record and fund structure to identify the top-tier funds in the Fund's target markets. GRE will then employ a rigorous due diligence process to evaluate the top-tier fund manager candidates focusing on such key issues as track record, compensation structure as it relates to goal alignment and retention, incentive compensation, capacity to take on additional capital, conflicts of interest and transparency and willingness to assist in the GRE research process.

Combining the two processes, GRE will attempt to develop a portfolio designed to maximize returns while providing true economic, property type, currency and fund manager diversification across economic regions.

## Risks of Investing in Real Estate

Investing in real estate involves risk. One of the main risks to investing in real estate is liquidity. Unlike stocks and bonds which can be bought and sold throughout the day on exchanges and in the over-the-counter market, real estate is not as readily marketable. This illiquidity may restrict the availability of cash for those Investors looking to redeem their Fund interests.

The valuation of real estate investments is influenced by many variables. Therefore, reported fair value of the properties may not represent the net cash proceeds that would be realized if such investments were



liquidated, since market prices of real estate investments can only be determined by negotiation between market participants.

The use of leverage, i.e. the use of borrowed funds to make investments, is an additional risk inherent in the strategy. While leverage can magnify the returns in a rising market it will also magnify the losses in a falling market.

The International Fund also has currency risk. Fund interests purchased by the International Fund may not be denominated in U.S. dollars. There is a risk that the Fund may not be able to adequately hedge its currency exposure or that a fluctuation of exchange rates could materially adversely affect the value of the investment.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of GRE or the integrity of GRE's management. GRE has no information applicable to this Item.

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

GRE has been hired by Guggenheim Trust Company, a South Dakota trust company and affiliate, to provide investment advice to the following Funds: Guggenheim Real Estate *PLUS* Trust; Guggenheim *PLUS* Leveraged LLC; Guggenheim *PLUS* Unleveraged LLC; Guggenheim REIT, GRES and GREAR.

Wholly-owned subsidiaries of GRE are currently the general partners of the Guggenheim *PLUS* L.P. fund and the Guggenheim *PLUS* II L.P. fund. Investment allocation decisions are made for the *PLUS* Funds that affect the incentive compensation paid to GRE by Guggenheim *PLUS* L.P. and Guggenheim Real Estate *PLUS* Trust and the Guggenheim *PLUS* II L.P. general partner's allocation of income. In order to manage conflicts of interest among the *PLUS* Funds as they have similar investment objectives and policies and to therefore minimize the affect allocation decisions may have on the incentive fees paid to GRE directly or to its wholly owned affiliates, the *PLUS* Funds may co-invest in the Lower Tiered Funds, which are also managed by GRE. Co-investment by each Fund in the Lower Tiered Funds eliminates the need to allocate investments among the three Funds. For example, direct properties are purchased through Guggenheim *PLUS* Leveraged LLC and the three *PLUS* Funds obtain exposure to that portfolio of direct properties by directly or indirectly owning units of Guggenheim *PLUS* Leveraged LLC.

The General Partner for the International Fund is also a wholly owned subsidiary of GRE. GREI Blocker L.P. has been established for U.S. tax-exempt investors to invest in the International Fund and shares the same General Partner with the International Fund.

Guggenheim Securities LLC (formerly Guggenheim Capital Markets, LLC) ("GS") is an affiliated FINRA registered broker-dealer. GS is engaged in the private placement of securities and the marketing of limited partnerships to institutional and high net worth investors. Pursuant to an arrangement with GRE, GS may market GRE sponsored Funds to its customers.

GRE has affiliated investment advisers which manage Limited Partnerships ("LPs") or Limited Liability Companies ("LLCs") or investment companies; however, these relationships are not material to the advisory business of GRE. Affiliated SEC-registered investment advisers provide information about those LPs, LLCs or investment companies on their respective Form ADVs. Information about LPs or LLCs managed by affiliated investment advisers that are not registered with the SEC is available upon request. GRE's clients are not solicited to invest in any of these LPs, LLCs or investment companies.

While Bank of America and Wells Fargo are not “Related Persons<sup>2</sup>” of GRE the following relationships are material to the Funds and may create conflicts of interest. One of the GRE advised Funds has entered into a revolving line of credit with Bank of America and also with Wells Fargo Bank N.A. GRE acts as sub-manager for two Bank of America affiliated investment funds. The Bank of America Funds also invest in the Lower Tiered Funds to address any conflicts of interests between the *PLUS* Funds and the sub-advised funds. Wells Fargo serves as the primary lender for certain direct property investments within the *PLUS* direct property portfolio and as trustee for securitized real estate loans that are obligations of the *PLUS* Funds. Affiliates of Wells Fargo are tenants in office buildings owned within the *PLUS* direct property portfolio. A Wells Fargo affiliate also has part of its pension plan invested in a *PLUS* Fund. The various relationships of GRE and each Fund with Wells Fargo as well as the terms of the leasing agreements with the Wells Fargo affiliates have been negotiated in arm’s length transactions to address the conflicts of interest presented by these relationships.

### **Item 11 – Code of Ethics**

GRE has adopted a Code of Ethics and Insider Trading Policy (“Code”) to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code sets forth procedures and limitations governing the business conduct and personal securities trading of persons associated with GRE. The Code is based upon the principle that GRE’s employees owe a fiduciary duty to Clients and Investors to conduct their affairs, including their personal securities transactions, in such manner to avoid: (i) serving their own personal interests ahead of Clients and Investors; (ii) taking inappropriate advantage of their position with the firm; and (iii) any actual or potential conflicts of interest or any abuse of their position of responsibility. GRE employees are prohibited from investing in Real Estate Investment Trust securities and must hold securities for a minimum of three (3) trading days. In addition, they must pre-clear any purchases in initial public offerings and any limited or private offerings. The Code also includes a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the giving and receiving of gifts as well as the reporting of gifts and business entertainment and personal securities trading procedures, among other things. All GRE employees must acknowledge receipt as well as the terms of the Code annually, and when it is amended. A copy of the Code is available upon request by emailing GRE’s Chief Compliance Officer at [theresa.apruzzese@guggenheimrealestate.com](mailto:theresa.apruzzese@guggenheimrealestate.com).

Certain principals of GRE are also owners of GRE through Guggenheim Real Estate Partners LP. GRE derives its revenue based on the value of its assets under management including the value of the direct property investments. Certain of the principal owners of GRE also participate in the hiring and supervision of the independent, external, third-party appraisal management firm (“TPA Firm”) hired by GRE and by Guggenheim Trust Company, an affiliate of GRE, that takes part in the valuation of the direct property investments held by Guggenheim *PLUS* Leveraged LLC, Guggenheim *PLUS* Mezzanine Finance L.P. and by Guggenheim REIT. GRE relies on the TPA Firm or appraisal firms selected by the TPA Firm to assert a value with respect to the direct property investments. This creates a conflict of interest. In order to address this conflict, the principals do not prepare the valuations. While certain principals do have the ability to over ride the valuation prepared by the TPA Firm or the appraisal firm; in each instance where an over ride has taken place, a memorandum is prepared to document the decision.

Wholly-owned subsidiaries of GRE are currently the general partners of the Guggenheim *PLUS* L.P. fund and the Guggenheim *PLUS* II L.P. fund which are Clients of GRE. Guggenheim Trust Company, an affiliate of GRE, is the Trustee of Guggenheim *PLUS* Trust which is also a Client of GRE. GRE advises the Funds to invest in the Lower Tiered Funds that are also advised by GRE. By investing in the Lower Tiered Funds

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<sup>2</sup> A person controlling, controlled by or under common control with GRE; An officer, director or partner of GRE or person performing similar functions and all GRE current employees.

rather than in real estate securities and direct property investments, the Funds can share in the same pool of investments without the conflicts of having to allocate specific investments to each individual Fund. The allocation of fees to GRE given the tiered investment structure is addressed in Item 5 above. As stated in response to Item 10 above, GRE has affiliated investment advisers which manage LPs or LLCs or act as an adviser to an investment company but GRE's Clients are not solicited to invest in any of these LPs, LLCs or investment companies.

In order to rebalance the exposure to the Guggenheim REIT and/or to satisfy redemption requests, distributions and Fund expenses, a security may be sold by one Client to another Client. GRE may effect a cross transaction between the two Clients for no fee if neither Client is an ERISA Plan and the trade is in the best interest of both Clients. GRE will engage in these transactions if (a) the units traded between accounts are valued according to the methodology set forth in the Fund's operating documents and (b) all records regarding the transaction and its valuation are maintained for the required period.

### **Item 12 – Brokerage Practices**

The GRE-managed Funds pay commissions to brokers and dealers on security transactions placed. In instances where a third-party manager is hired to manage a portfolio of public real estate related securities, the third-party manager selects broker-dealers with the objective of obtaining best execution. GRE has given to its third-party managers the discretion to determine which brokers and dealers to use as well as what commission rates to be paid. The third-party managers selected by GRE may use soft dollars to obtain products, services or research from the broker-dealers selected by them for trade execution. GRE has retained the right in its investment management agreements with the respective managers to dictate brokerage terms, but has not yet elected to exercise this right. GRE does not monitor the allocation or aggregation practices of its third-party managers. However, third-party managers represent in their executed agreements with GRE that they will make allocation decisions in an equitable and consistent manner with regard to their fiduciary obligations to all accounts.

In instances in which a third-party manager is not used, GRE may internally manage portfolios of public real estate related securities on behalf of its managed and sub-managed Funds. GRE does not utilize soft dollars to purchase third-party prepared research services with respect to its directly managed public securities. However, GRE does use soft dollars to obtain proprietary research reports from brokers with whom it maintains a trading relationship. These research reports include equity, credit, economic and technical research related to the public real estate market as well as financial models for earnings estimates and valuation analysis created by sell-side analysts. In addition, the broker-dealers will facilitate meetings at conferences they sponsor that we attend between GRE analysts and the companies in which GRE has invested. All Funds benefit from the receipt of these reports. With respect to these relationships, GRE pays more than the lowest available commission rate in order to receive this proprietary research which is in compliance with the safe harbor of Section 28(e). GRE benefits from the receipt of these proprietary research reports because it does not have to pay a separate fee for the reports or pay to gather the information or hire additional personnel to compile the report on its own. These benefits may create an incentive for GRE to use those broker-dealers that provide it with proprietary research and charge a higher commission rate for doing so than using other broker-dealers that charge a lower commission rate but do not provide proprietary research reports. When selecting which broker-dealers to execute trades, GRE will consider, to the extent consistent with GRE's obligation to obtain best execution, such factors as price, the ability of brokers to effect the transaction, the broker's facilities, including information systems, reliability and financial responsibility and any other factors that GRE may deem appropriate with respect to the services provided by such broker-dealer.

GRE has authority to trade for GREAR and GRES (both GRE Lower Tiered Funds). The *PLUS* Funds generally invest directly in GREAR and/or GRES in order to receive an allocation to any internally managed

publicly traded real estate related securities portfolios. GRE invests using a long-only strategy and GREAR invests using an absolute return strategy. GRE will attempt to allocate investment opportunities between GREAR and GRES in a manner it believes to be reasonable and equitable, taking into consideration the target allocation for each Fund. If an order is placed to buy or sell a certain security in both GREAR and GRES, the order will be completed as a block trade when possible and when advantageous to both Funds. In these instances, both Funds participating in the block trade will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In order to depart from this policy for any reason, the written consent of a Senior Managing Director/Co-Portfolio Manager via a memo or an email must first be obtained. In the event GRE purchases IPO securities for GREAR and GRES, GRE's policy and procedure is to allocate IPO shares fairly and equitably according to the allocation procedures above so as not to favor or disfavor any one Fund over another. Both GREAR and GRES have prime broker arrangements. The prime broker arrangements allow GRE to make use of the services of several executing brokers while maintaining a single account with a prime broker for each GREAR and GRES and receiving consolidated account statements from their respective prime broker.

If completion of a block trade is not advantageous to the Funds, GRE may also allocate publicly traded real estate related securities directly to the *PLUS* Funds and not through GREAR or GRES. In addition, GRE may determine that an investment opportunity is appropriate or inappropriate for one particular *PLUS* Fund but not for another. For direct securities investment opportunities amongst the *PLUS* Funds that are not allocated through a *PLUS* Fund's investment in GREAR or GRES, the Chief Financial Officer will direct the allocation of securities taking into consideration the target allocation of the *PLUS* Funds. If an order is placed to buy or sell a certain security in multiple funds, the order will be completed in Fund #1 before executing the trade in Fund #2, and would be completed before executing the trade in Fund #3, etc.

### **Item 13 – Review of Accounts**

#### *PLUS* Funds

No less than quarterly, and generally whenever a new investment or disposition is contemplated, each of the *PLUS* Fund's investment holdings are measured relative to the risk control guidelines stated in the respective *PLUS* Fund's offering memorandum and partnership or trust agreement. These guidelines relate to the use of leverage, exposure and diversification. The *PLUS* Funds invest almost exclusively in four major property types (office, industrial, multifamily and retail) with risk controlled through diversification across property types, geographies, investment structures and market segments. GRE also sets guidelines for the ceiling on aggregate leverage, the amount of development and the amount of public market investment.

In addition, with respect to the sub-managers, GRE utilizes a screening process for the selection of REIT and private fund investment managers and local real estate professionals who manage both private and public real estate and real estate related assets for the *PLUS* Funds. The potential manager is identified, required to complete a request for information ("RFI"), and interviewed by GRE. The information obtained from the RFIs and interviews is corroborated through public sources (e.g., SEC filings) and discussions with other industry professionals. The RFIs are also compared to the peer group. For potential REIT managers, a manager evaluation is completed after the interview. For private fund managers and local real estate professionals, a manager evaluation is completed upon commitment of the first investment. The GRE team meets regularly to discuss the qualitative and quantitative measures used to evaluate managers as part of the process to select managers to manage an allocation of a *PLUS* Fund's assets; however, the portfolio managers are responsible for making the final decision as to whether a, and which, manager is selected. Each REIT manager and local real estate professional relationship is governed by a contract. Both are monitored for compliance with the respective contracts depending on the scope of services provided. Generally, they are required to provide monthly and/or quarterly investment financial information, including performance and management fee calculations with respect to public securities and revenue and expense information with

respect to private property investments. GRE's administrative back-office reviews manager reports for completeness, accuracy and conformity with reporting requirements.

Due to the depth of the review several GRE team members take part in this review. Members of the accounting staff as well as the asset managers and analysts participate in the selection and review process.

#### International Fund

GRE uses a similar process with respect to the International Fund's selection of investments. Managers who meet the International Fund's investment mandate are entered into a proprietary database to document relevant fund and sponsor information (such as: strategy, geographic focus, marketing status, targeted fund size, leverage ceilings, risk profile, target returns, contact information, fees, etc). GRE also categorizes its interest level in each manager and coordinates meetings with managers of interest to discuss their platform and strategy. Manager records are updated on an ongoing basis to reflect any communication or material information. As GRE determines select fund managers of interest in each market, further due diligence is undertaken, which includes but is not limited to: meetings at the manager's office, meeting with the broader investment team, detailed review of due diligence materials and track record, property tours of past/pipeline fund investments, and background checks. The International Fund's investment committee must unanimously approve further due diligence after initially determining which managers are of interest and must also unanimously approve a commitment of funds to any manager. Once an investment is made, GRE continually monitors the fund's process including periodic site visits and property tours. Quarterly statements are reviewed and there are quarterly conference calls with the management team. The portfolio manager for the International Fund leads the selection and review process and is a member of the investment committee.

#### GRES

GRES will generally be a fully invested portfolio. GRES' top ten positions will typically represent a large percent of its net asset value. The underlying real estate exposure owned by GRES may have significant concentration by property type or geographic area, but will be limited with respect to any one property type, position or geographic area. These parameters are reviewed informally by the portfolio manager with each trade.

#### GREAR

GREAR will be limited with respect to any one property type, position or geographic area. In order to avoid certain issues the Fund will have a maximum net long exposure of 100% and 50% net short exposure. These parameters are reviewed informally by the portfolio manager with each trade.

#### Investor Reporting

GRE is highly focused on the quality, quantity and frequency of information that is distributed to Investors to make sure that Investors are well informed and up to date on the respective Fund's strategy, performance and holdings.

#### PLUS Funds

Below is a list of the reports distributed to Investors along with the frequency of distribution. These reports may be accessed by Investors, at their election, via GRE's online document system or as noted:

##### Quarterly

- Fund-Specific Flash Report (10-15 days after the end of each quarter)
- Individualized Statement of Net Asset Value (45 days after the end of each quarter)
- Fund-Specific Unaudited Financial Statements (45 days after the end of each quarter)
- Fund-Specific Quarterly Report to Investors (45 days after the end of each quarter)

##### Annually

- Fund-Specific Audited Financial Statements

- Individualized tax reporting or Form 5500, as applicable (Distributed via regular mail, if applicable.)

In addition, GRE supplements the quarterly and annual reporting noted above with calls and in-person meetings designed to be interactive and informative as it relates to Investors' investment in the respective Fund and across the breadth of the real estate asset class.

#### International Fund

Below is a list of the reports distributed to Investors along with the frequency of distribution.

##### Quarterly

- Fund-Specific Unaudited Financial Statements
- Fund-Specific Quarterly Report to Investors

##### Annually

- Fund-Specific Audited Financial Statements
- Fund-Specific Letter to Investors
- Tax reporting, as applicable (Distributed via regular mail)

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

GRE may compensate employees of its affiliates, or third-parties who refer potential Clients or Investors to GRE. Any such compensation is generally expected to be paid by GRE from its assets and is not expected to be charged to its Clients. As part of arrangements GRE has with Guggenheim Securities LLC (formerly Guggenheim Capital Markets, LLC) ("GS"), GS will be compensated for the placement of Investors in Guggenheim *PLUS* L.P. This compensation will be determined based upon the range and scope of services provided by GS. GRE and supervised persons of GRE do not accept compensation for the sale of Fund interests.

### **Item 15 – Custody**

GRE has the authority to withdraw Client assets which are maintained with a qualified custodian<sup>3</sup> upon GRE's instruction to the custodian and therefore is considered an adviser with custody of Client funds and securities. As required under the Investment Advisers Act of 1940 (as amended), GRE will ensure that each Client Fund is audited and that the audited financial statements of the Funds are sent to Investors of the *PLUS* Funds within 120 days and within 180 days for the International Fund's Investors after the Funds' fiscal year end of December 31 each year. In addition, in the event the Funds are liquidated, a final audited financial statement of the Fund would be sent to Investors promptly after completion of that final audit.

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<sup>3</sup> A qualified custodian is a: (i) bank per §202(a)(2) under the Investment Advisers Act or savings association per §3(b)(1) of the Federal Deposit Insurance Act; (ii) broker-dealer registered under §15(b)(1) of the Securities Exchange Act of 1934 Act; (iii) futures commission merchant registered under §4f(a) of the Commodity Exchange Act; (iv) foreign financial institution that customarily holds customer financial assets.



**Item 16 – Investment Discretion**

Under the respective *PLUS* Fund, GREAR, GRES and International Fund documents and advisory agreements, GRE does not need Client consent regarding its investment decisions. GRE has the authority to determine, without obtaining specific Client consent, the securities and the amount of securities to be bought and sold. GRE exercises such authority either directly by managing and executing investment strategies on its own, or by engaging one or more third-party managers to execute the investment strategy or strategies for a Client by granting such third-party managers investment discretion to manage such assets.

**Item 17 – Voting Client Securities**

GRE is committed to its fiduciary duty of care with respect to all services undertaken on behalf of its clients, including, when applicable, proxy voting. GRE is explicitly granted proxy-voting authority under the terms of the Funds' legal documents. GRE delegates proxy voting authority for publicly traded securities managed by third-party managers to such managers, whom GRE believes are best qualified to evaluate proxy proposals for securities that they have selected for the Funds. For private fund investments, GRE will make and execute all voting decisions. For publicly-traded securities managed directly by GRE, GRE will make reasonable attempts to research, vote, and record all proxy ballots for the relevant security positions. To execute this responsibility, GRE relies on its subscription to Institutional Shareholder Services, Inc. (A.K.A., Risk Metrics Group) ("ISS").

GRE will review ISS policies a minimum of once a year. GRE follows ISS recommendations on most issues brought to a shareholder vote. Subcategories within the Guidelines include: Operational Items, Board of Directors Proxy Contests, Anti-Takeover Defenses, Voting Related Issues, Mergers and Corporate Restructurings, State of Incorporation, Capital Structure, Executive and Director Compensation, Social and Environmental Issues, Mutual Fund Proxies, and Global Proxy Voting Matters. In the rare instance where GRE portfolio research believes that any ISS recommendation would be to the detriment of GRE Investors, GRE can and will override the ISS recommendation through a manual vote. The final authorization to override an ISS recommendation must be approved by the CFO or Managing Principal of GRE. A written record supporting the decision to override the ISS recommendation will be maintained. Where a material conflict of interest has been identified and the matter is addressed in the Guidelines, the proxies shall be voted in accordance with the Guidelines. Where a material conflict of interest has been identified and the matter is not covered in the Guidelines, the Managing Principal shall disclose the conflict to a representative of a Fund and advise the Funds' Investors that the Fund's securities will be voted upon the representative's written direction. Individual Investors may not direct the voting of proxies of securities held directly or indirectly by the Funds.

Clients may obtain a copy of GRE's complete proxy voting policies and procedures upon request. Clients may also obtain information from GRE about how GRE voted any proxies on behalf of their account(s).

**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about GRE's financial condition. GRE has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.