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**TALIMCO, LLC**  
**Form ADV Part 2A**  
**Disclosure Brochure**  
**February 14, 2012**

430 Park Avenue, 8th Floor  
New York New York 10022

This Brochure provides information about the qualifications and business practices of TALIMCO, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 209-1388 or [gr@talmagelc.com](mailto:gr@talmagelc.com).

TALIMCO, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Our oral and written communications are intended to provide you with information which you may use to determine to hire or retain us to provide investment advice.

Additional information about TALIMCO, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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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.

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## **Item 2: Material Changes**

We are a newly registered adviser. We have not previously delivered a Firm Brochure.

We will deliver an updated Firm Brochure annually to clients, together with a summary of material changes, within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes as necessary. Based on changes in our operations or new information, we will deliver a revised Firm Brochure as necessary, at any time, without charge.

You may request a copy of our Firm Brochure by contacting Grant G. Rogers at (212) 209-1388, or by e-mail at [gr@talmagellc.com](mailto:gr@talmagellc.com).

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## Item 4: Advisory Business

### A. Description of the Firm

TALIMCO, LLC (“we” or “us” or “our” or “TALIMCO”), a Delaware limited liability company (formally known as GSREA, LLC), was established in 2003. We are owned by our parent company, Talmage, LLC, which in turn is owned indirectly 100% by Mr. Edward L. Shugrue III. We are an alternative asset management company focused predominantly on investments in the commercial real estate debt sector (e.g. whole loans, mezzanine debt, B-Notes, CMBS, bank debt, collateral debt obligations (“CDOs”) and other real estate related assets).

We manage, advise and invest in various private equity real estate funds, separate accounts, and CDOs. Since inception, we have provided advisory services to four distinct funds, two separate accounts, and four CDOs.

We organize and control affiliates which serve as the administrative managers and managing members or general partners of our Funds (as defined below) and Separate Accounts (as defined below) (collectively, the “Managers”). The Managers currently include our affiliates, GSREA GP3, LLC and CMBS Credit Opportunities Manager, LLC.

As supervised persons of TALIMCO, the Managers intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended, and the rules thereunder (the “Advisers Act”). Any employee of the Managers, and any other person acting on their behalf, are and shall be subject to the supervision and control of TALIMCO. The Managers are relying on TALIMCO’s registration under the Advisers Act and are not separately registering as advisers. The Managers will be included in all references to “we”, “us” or “TALIMCO” herein.

### B. Types of Advisory Services

We provide investment management services to the following:

#### Private Investment Funds

We provide discretionary investment adviser to the following two private investment funds (together with such other funds as we may advise in the future, the “Funds” and each a “Fund”):

**GSR3LP, LLC:** This Fund is fully invested. It seeks to build a diversified portfolio of real estate-related debt investments that feature high current income with downside protection through equity and debt subordination and strong cash flow characteristics.

**GSREA CMBS Credit Opportunities, LLC:** This Fund invests in commercial mortgage backed securities.

See Item 8 for more information with respect to the investment strategies of the Funds.

We act as direct investment manager of GSR3LP, LLC. Our affiliate, CMBS Credit Opportunities Manager, LLC ("**CMBS Manager**"), acts as direct investment manager of GSREA CMBS Credit Opportunities, LLC.

In addition to the foregoing, we may, from time to time, serve as the investment manager to a number of special purpose vehicles through which the Funds may invest. We generally form special purpose vehicles to facilitate portfolio investments by the Funds for tax, regulatory, or economic purposes.

We may, from time to time, sponsor and manage investment vehicles on a transaction-by-transaction basis to allow certain persons to invest alongside one or more Funds in specific portfolio investments.

The Funds are organized as US pooled investment vehicles, and an affiliate serves as a general partner or managing member of the Funds. We may decide in the future to sponsor or manage additional private investment funds. We intend to restrict the number of investors and will offer the interests ("**Interests**") or shares ("**Shares**") in the Funds, as the case may be, only through non-public transactions in order to maintain the Funds' exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

Subscriptions for Interests or Shares, as the case may be, will generally be accepted only from investors who meet the definitions of "Accredited Investor" under Regulation D promulgated under the Securities Act of 1933, as amended, "Qualified Purchaser" under the Investment Company Act and "Qualified Client" under the Advisers Act, and, therefore, are permitted under applicable regulatory requirements to enter into a performance fee arrangements.

#### **Individually Managed Accounts:**

In addition to managing the Funds, we serve as adviser to a separate account for an institutional client (together with such other separate accounts as we may advise in the future, the "**Separate Accounts**" and each a "**Separate Account**"). This Separate Account also invests in the same general category of investments invested in by one or more of the Funds, but follow an investment strategy designed for the client.

#### **Collateral Manager**

We serve as collateral manager for certain collateralized debt obligations that own commercial real estate debt investments. As such we provide ongoing collateral and asset management services to the CDOs. We may provide services as a collateral manager to other CDOs in the future. We provide ongoing asset management services to the CDOs, except in cases where the CDOs provide for reinvestment, in which case we also advise with respect to the acquisition and disposition of investments.

The term “**Client**” herein refers to either a Fund, the owner of the Separate Account or CDO.

As investment adviser to Clients, we identify investment opportunities and participate in the acquisition, management, monitoring and disposition of investments for each Client

The services we provide to a Fund in the capacity as the investment manager, general partner/managing member or otherwise, may include: organizing and managing the Fund’s business affairs; acquiring, financing and disposing of investments; preparing financial statements; preparing tax related schedules; and providing investor relations functions such as drafting, printing and distributing correspondence to investors and prospective investors. We provide similar services to Separate Accounts.

### **C. Client Tailored Services and Client Tailored Restrictions**

We generally offer the same type of investment management services to our Separate Accounts and Funds. We may enter into discretionary investment management agreements with our Separate Account Clients. See Item 16. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their particular investment objectives or needs.

We manage each Fund based on the investment objectives and investment restrictions set forth in the limited liability company operating agreement or limited partnership agreement of each such Fund (the “**Fund Organization Agreement**”) and the investment management agreement between us and each such Fund (the “**Management Agreement**”, and together with the Fund Organization Agreement of each Fund and the confidential private placement memorandum or other offering document describing the Fund and its terms utilized to offer investments in a Fund, the “**Offering Documents**”).

Typically, pursuant to the Management Agreement for each Fund, we are prohibited from investing more than a certain percentage of such Fund’s assets in any single investment. Further, we may enter into side letters with certain members and limited partners of the Funds which impose further restrictions on our discretionary authority.

Members and limited partners are not advisory clients of the firm and do not impose restrictions on how we invest our Funds.

The collateral management services we provide to CDOs are governed by the terms of the relevant collateral management agreements.

### **D. Wrap Programs**

We do not participate in wrap fee programs.

#### **E. Assets Under Management**

As of December 31, 2011, we had approximately \$533 million face amount of investments and \$7.5 million of cash invested by the Funds on a discretionary basis.

As of December 31, 2011, we had approximately \$1.1 billion face amount of investments and no cash invested by the CDOs and a Separate Account on a non-discretionary basis.



## Item 5: Fees and Compensation

### A. Fee Schedule; Prepayment of Fees and Refunds, Payment Method

#### Private Investment Funds

We are compensated for our advisory services to the Funds based on a percentage of assets under management and performance-based amounts. Each Fund pays to us annual advisory fees ("**Management Fees**") generally equal to a percentage of capital commitments or net assets or invested capital, as the case may be.

We may also receive a performance-based "carried" interest ("**Carried Interest**") in our capacity as general partner or manager entitling us to up to a percentage of realized profits after a preferred return to limited partners. This Carried Interest is based on realized gains and received income only and is payable as portfolio holdings are liquidated, subject, in some cases, to a reserve or claw-back arrangement to account for possible or actual losses incurred on holdings subsequently sold.

We, in our discretion, may waive or reduce the Management Fee applicable to all or any of the investors in each Fund or agree with an investor to waive or alter the Management Fee as to that investor. Investors in a Fund may have different fee arrangements. We (without any act, consent or approval of any investor in a Fund) may on our own behalf, or on behalf of the Fund, enter into, deliver, perform, modify and terminate side letters or other written agreements or instruments to or with one or more Fund investors which have the effect of establishing different rights under, or altering or supplementing the terms of, an investment in the Fund ("**Side Letters**"), including, without limitation, modifications of withdrawal rights, fee arrangements and access to Fund information. Any rights established, or any terms of an investment in a Fund altered or supplemented, in a Side Letter with a Fund investor will govern such investor's investment in the Fund notwithstanding any other provision of the Fund's documents to the contrary.

We and certain of our principals may invest in the Funds on the same terms offered to other investors.

The Management Fee generally will be paid by each Fund quarterly in advance. Management fees are deducted from the assets of each Fund and are generally payable out of current cash flow, disposition proceeds or from drawdowns of investors' capital commitments to the Fund. The investment management agreement of a Fund may be terminated upon the winding up of the Fund or in the event a specified percentage of the investors vote to (i) remove the general partner for cause after the occurrence of certain specified events or (ii) dissolve the Fund. Upon termination, Management Fees that have been prepaid are returned on a pro rata basis.

Each Fund was organized with the intent that it be advised by us and a related person serves as the manager, general partner or managing member of each Fund. No manager, general partner or managing member of any Fund intends to cause the Fund to terminate its advisory relationship with us absent our liquidation or bankruptcy.

Investors in Funds may be limited in their ability to terminate their investment in the Fund. Investors should refer to each Fund's Offering Documents for additional or supplementary information regarding such limitations as well as the fees paid by such Fund.

### **Individually Managed Accounts**

Separate Accounts pay a management fee which is generally based on a percentage of the aggregate amount invested at cost for the investments made for the account. We negotiate the annual management fees charged for the management of Separate Accounts, which will vary according to targeted investment classes and the amount of investments managed by us. Fees are payable in advance on a quarterly basis based upon the prior quarter end investments in the account during the quarter.

Some Separate Accounts may also pay a fee based on the performance of the account. All Separate Account Clients are Qualified Purchasers and those charged a performance fee must be eligible to enter into a performance fee arrangement under the Advisers Act ("**Qualified Clients**").

Generally, an agreement for a Separate Account may be cancelled at any time, by either party, for any reason, upon receipt of 30 days' written notice, or as otherwise agreed in the investment management agreement. Upon termination of any account, a Client shall continue to pay management fees to us until the Client's investments have been repaid or otherwise satisfied.

### **Collateral Manager**

We receive a collateral management fee as set forth in the collateral management agreement and offering document for each CDO, which is based on the outstanding principal amount of the assets collateralized by the CDOs as determined by the trustee for the CDOs. The fees for these CDOs are paid quarterly.

### **Valuation**

The market values of the assets of the Funds, the Separate Accounts and the CDOs is based upon fair-value as determined by us.

## **B. Other Fees and Expenses**

Separate Account Clients and Fund Clients may elect to have account assets held in the custody of a bank, trust company, broker-dealer or other entity selected by the Client. The Client will bear any custodial fees associated with such account. To the extent that cash is held in such

accounts and fees are charged by the provider of such service, the fees so incurred by the client or Fund will be in addition to the fee payable to us on the overall value of or amount invested for the account of the Client. See Item 15. The investments collateralizing the CDOs are held in the custody of the trustee for the CDOs.

Each Fund bears the expenses of its organization (subject to a maximum amount as set forth in the Offering Documents) and all operational expenses incurred in connection with the purchase, sale, financing and refinancing of investments, and the fees and expenses of third party service providers to the Fund. Such expenses include but are not limited to:

- (i) legal, auditing, consulting, financing and accounting fees and expenses of the Fund;
- (ii) expenses associated with the preparation and distribution of the Fund's financial statements and reports to Fund investors and the costs of preparing and filing the Fund's tax returns;
- (iii) out-of-pocket expenses and other expenses incurred in connection with the operation of the Fund under the laws of the jurisdiction in which it is organized;
- (iv) expenses incurred in connection with transactions pursued but not ultimately consummated;
- (v) expenses of appraisers and consultants;
- (vi) expenses of litigation and indemnification;
- (vii) insurance premiums;
- (viii) expenses of advisory committee meetings and meetings of the Fund investors;
- (ix) other expenses associated with the acquisition, holding, financing, refinancing and disposition of the Fund's investments, including extraordinary expenses; and
- (x) any taxes, fees or other governmental charges levied against the Fund.

Fund investors may also bear a portion of any fees or expenses charged by any special purpose vehicles that have been formed to facilitate portfolio investments by the Funds or their investors for tax, regulatory or economic purposes. Fund investors may also indirectly bear a portion of any fees or expenses charged by any other investment vehicles or funds in which the Fund invests or other investment managers to which we allocate a portion of Fund assets. We may, at our discretion, choose to pay or reimburse the Fund for all or any portion of such expenses.

Although we do not generally utilize the services of broker-dealers for Fund transactions, in the event we choose to use a broker-dealer, the Funds will bear brokerage and transaction costs to the extent incurred. For additional information regarding brokerage and transaction costs, see Item 12 below.

From time to time, we may receive transactions fees, including origination, acquisition, disposition, brokerage, investment banking, financing, break-up or similar fees from portfolio companies or third parties which are directly related to the activities of the Funds. Typically, any such fees received by us will be applied (i) to reimburse us for any expenses incurred and not otherwise reimbursed and (ii) to prepay Management Fees with respect to the Fund(s) to which such fees relate. The existence of acquisition and disposition fees, if any, create an incentive to acquire or dispose of assets based on compensation received versus a Fund's

needs. The other components of our fee schedules substantially reduce that risk. Furthermore, no employee is compensated on a transactional basis.

#### **C. Sales Compensation**

Neither we nor any of our supervised persons accept or otherwise receive compensation in connection with the sale of interests in the Funds or any other security or investment product.

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

"Performance-Based Fees" are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. We may receive performance-based compensation in the form of carried interest distributions from each Fund that we manage and may receive such compensation from some of our Separate Accounts. For a discussion of our Carried Interest, please refer to Item 5A above. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act.

Performance-based compensation may create an incentive for us to cause a Fund or Separate Account to make investments that are riskier than it would otherwise make. Performance-based fee arrangements may also create an incentive to favor higher carried interest percentages paying Funds or Separate Accounts over other Funds or Separate Accounts in the devotion of time, resources and allocation of investment opportunities. The Funds have investment periods and overall duration that are generally limited to prescribed time periods, subject to extensions as permitted under the governing documents, which may not require investor approval. The prospect of continuing to earn additional income from a Fund may create an incentive for us to extend the investment period or duration of a Fund in accordance with the governing documents.

To manage these potential conflicts, we have adopted a number of compliance policies and procedures. These policies and procedures include (i) our Code of Ethics (see Item 11), (ii) our Compliance Manual, and (iii) allocation policies which seek to ensure that investment opportunities are allocated fairly among Funds and Separate Accounts and that all Client accounts are managed in accordance with their investment mandate (see Item 12). We do not consider fee structures in allocating investment opportunities.

## **Item 7: Types of Clients**

### **Private Investment Funds**

Investors that are U.S. persons must be "Accredited Investors" under Regulation D under the Securities Act, "Qualified Purchasers" under the Investment Company Act and "Qualified Clients" eligible to be charged performance fees under the Advisers Act.

We require Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in a Fund.

The minimum investment required by an investor varies depending on the Fund and in each case is subject to waiver by us. In general for our private equity funds, we require a minimum investment of \$25 million or greater. Investors should review the Offering Documents for each relevant Fund for further information with respect to minimum requirements for investment. We may, in our sole and absolute discretion, admit into a Fund a limited number of investors who do not satisfy these standards.

### **Individually Managed Accounts.**

We may require a minimum commitment of investment capital to a Separate Account as determined in consultation with our Client. These customized portfolios are designed to meet the specific risk and return goals, liquidity restraints, factor sensitivity targets and other requirements of Clients.

### **Collateral Manager**

The minimum account size of a CDO is a function of the amount of assets financed by the CDO which varies based on market and other factors.

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

### A. Methods of Analyses

We employ an investment process that emphasizes credit underwriting and analysis at the individual property level, as well as an evaluation of such factors as the macroeconomic environment, the direction of the business cycle and local real estate market conditions.

Our investment professionals obtain information used in our decision-making from internal and external resources and create portfolios based on the investment objectives and strategies developed for the Client. The methods of our analysis and sources of information used in making investment decisions vary depending on targeted investments and investment strategy.

Our investment professionals may also speak to other market participants in order to gather general market intelligence and information to support our underwriting, portfolio management and disposition analyses.

*Investments in securities involve risk of loss that investors must be prepared to bear.*

### B. Investment Strategies

The following is a summary of the principal investment strategies employed by us. This is a summary only and the material risks associated with each of these strategies is set forth in C. below. Clients should look to the offering memorandum of each Fund or to their investment advisory agreements with us and other Client materials for a more complete description of each strategy. Clients should not rely solely on the descriptions provided below.

We seek to build for our Clients a diversified portfolio of real estate-related debt investments that feature current income with downside protection through equity and debt subordination and cash flow characteristics. We apply our credit-driven investment philosophy to identify risk-adjusted investment opportunities.

We provide advice on the following products:

- **Mezzanine Loans:** Loans secured by a pledge of an owner's equity interest in one or more properties.
- **B-Notes:** Subordinated participations in First Mortgage Loans that have typically been securitized.
- **First Mortgage Loans:** Senior mortgage loans secured by an individual property or a portfolio of properties.

- **CMBS:** Interests in investment grade and below investment grade classes (including unrated, first-loss tranches) of fixed and floating rate commercial mortgage-backed securities including collateralized debt obligations and “rake bonds” (which are junior participations in mortgage loans held inside of a CMBS trust).
- **CDOs.**
- **Bank Debt:** Secured and unsecured loans typically collateralized by real estate operating companies and their underlying real property assets.
- **Other/Special Situation Investments:** Investments primarily in special situations relating to one of the aforementioned investment categories or derivatives thereof. Examples include (all relating to commercial real estate): total rate of return swaps, credit default swaps, real estate investment trust securities, preferred equity, distressed loans and real estate related investments.

Our investment strategy is founded on the combination of credit underwriting, asset and liability structuring and trading capabilities. We generally build portfolios of long-term investments to be held until maturity or pay off or earlier opportunistic disposition. We may engage in short term trading in investments and pursue short sales and other alternative investment strategies for certain Clients.

We monitor multiple asset types, sectors and capital tranches to identify risk-adjusted return investments. We base investment allocation decisions on the investment objectives of our Clients after considering the merits and risks of the investment opportunities as part of our bottoms up underwriting process.

Investment opportunities which are appropriate for more than one Fund or Separate Account will be allocated by us according to our allocation policies as set forth in the Offering Documents of each Fund and as described further in Section 12.B below.

## C. Material Risks

### Investment Strategy Risks:

Acquiring interests in a Fund is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with us and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund are described in the Offering Documents of such Fund. Such risks for the Funds and Separate Accounts may include (but are not limited to):

- *Investing in real estate related investments will expose the Client to a high degree of risk and the characteristics of Client investments (commercial mortgage loan investments) will give rise to certain risk factors*

A mortgage-backed security represents an interest in a pool of mortgage loans. Most mortgage-backed securities are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less



servicing and other fees) as well as unscheduled prepayments, as mortgages in the underlying pools are paid off. Mortgage-backed securities are thus subject to prepayment risk. Prepayments may shorten or lengthen the effective maturities of these securities and may lower their total returns.

In periods of rising interest rates, the rates of prepayments tend to decrease, while in periods of falling interest rates, the rates of prepayments tend to increase. Thus, mortgage-related securities may have less potential for capital appreciation in periods of falling interest rates than other fixed-income securities of a comparable duration. Conversely, rising interest rates may cause the underlying mortgages to be paid off more slowly than expected, thereby increasing the duration of the security, making its price more susceptible to rate changes.

- *Clients are exposed to the risks involved with making subordinated investments which incur losses before the senior positions in a capital structure*
- *A prolonged economic slowdown, a recession or declining real estate values could impair Client investments, increase funding costs and limit access to financing, thereby reducing earnings*
- *Client will be exposed to lender liability risks including equitable subordination*
- *The success of our investments on behalf of Clients will be dependent on the availability of, and the degree of competition for, attractive investments*
- *Investments made with leverage at the portfolio level further increases Clients' exposure to losses on investments*
- *Client accounts will be exposed to the risks related to securitization of its assets*
- *The use of CDO financings with over-collateralization requirements may have a negative impact on cash flow*
- *The Fund may not be able to issue CDOs on attractive terms and an increase in the Fund's borrowing costs relative to the interest it receives on its assets may adversely affect the Fund's profitability*
- *The Fund may be required to repurchase loans or securities under the terms of the loans or securities that the Fund have sold in connection with CDOs*
- *Our due diligence may not reveal all of the factors affecting an investment and may not reveal weaknesses in the underlying loans securing such investments*
- *Our investments are secured by commercial property and are subject to risks of delinquency and foreclosure which depend on the operating performance of the underlying property*

The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired.

- *Market factors outside of our control may affect the market value of investments*

- *A portion of the Fund's assets are expected to be invested in CMBS; however the CMBS industry has a limited history*
- *The Fund may enter into derivative contracts that would expose the Fund to the risk of counterparty nonperformance*

Certain of the securities we invest in on behalf of Clients are derivatives. The major risks of derivatives, which can change dramatically in value, are market risk, credit risk, liquidity risk, settlement risk, legal risk, and operational risk. Certain derivatives are customized over-the-counter contracts and there can be no assurance of a ready market for such contracts. While we apply due diligence to the process by which collateral is posted or received, there can be no assurance that any derivative position is fully collateralized on any given day. Clients are encouraged to contact us for more information about our use of derivatives. Clients may also instruct us to restrict the use of derivatives for their Separate Accounts.

- *Non-U.S. investments will expose Clients to certain risks.*
- *We may not be able to obtain leverage; the use of leverage will expose Clients to certain risks*
- *The impact of the events of September 11, 2001 and the effect thereon on terrorism insurance expose Clients to certain risks*
- *Investments are subject to risks associated with a changing economic environment*
- *Investments may be subject to fluctuations in interest rates and hedging risks*
- *Investments may be illiquid*

Certain mortgage-backed securities and other securities that we may recommend for Clients, may be considered illiquid because of the absence of a readily available market. The absence of a trading market can make it difficult to ascertain a market value for such securities. At any particular time, it may not be possible to dispose of such securities promptly or at an acceptable price.

- *We may not be able to achieve diversification in its investments*
- *We may make investments with maturity dates later than the term of the Fund*
- *We may invest in troubled assets*
- *We may not have control over investments*
- *Client accounts may be subject to contingent liabilities upon disposition of investments*
- *We may not achieve its targeted rate of return on its investments.*

### **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 a Client's or potential Client's evaluation of the firm or the integrity of the firm's management in this item.

We have no legal or disciplinary events to report.

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

Neither we nor any management person is registered as a (i) broker-dealer or registered representative or (ii) Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or an Associated Person of such.

Each Fund was organized with the intent that it be advised by us and a related person serves as the general partner or managing member of each Fund. As indicated in Item 4, we control the Managers who are relying on our registration under the Advisers Act and are not registering themselves.

We may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (a) withdrawal and/or transfer rights that are more favorable than the rights granted to all other investors in such Fund, (b) a reduced management fee and/or performance-based fee or allocation, or (c) additional reporting requirements with respect to the Fund.

In addition, neither we nor any of our related persons is obligated to allocate any specific amount of time to a particular Client. We and our related persons intend to devote as much time as they deem necessary for the conduct of each Client's portfolio management, and will allocate investment opportunities in accordance with our trade allocation policy described in Item 12.B below.

We do not select other advisers to provide services to our Clients.

## **Item 11: Code of Ethics**

### **A. Code of Ethics**

In order to address conflicts of interest, we have adopted a code of ethics (the “**Code**”) which is applicable to all of our supervised persons (collectively, “**Employees**”). The Code generally sets the standard of ethical and professional business conduct that we require of our Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by certain Employees deemed access persons under applicable regulations. Additionally, the Code sets forth our policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that we and each of our Employees owes to each advisory Client.

The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto.

We will provide a copy of the Code to any Client or prospective Client upon request.

### **B. Recommendations Involving Material Financial Interests**

We may participate or have an interest in Client transactions as described below. We make all investment management decisions in our Clients’ best interests.

#### **1. *Principal and Agency Transactions:***

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from, or sells any security to, an advisory Client. A principal transaction would occur if TALIMCO bought securities for its or an affiliate’s own inventory from a Client or sold securities from its inventory to a Client.

If an adviser, its affiliates or their respective principals own a substantial equity interest in an account managed by the adviser, transactions involving that account and another Client could be characterized as a principal transaction. For example, if TALIMCO, its affiliates or principals have a substantial equity interest in a Fund, the transfer of securities from such Fund’s account to a Separate Account could be a principal transaction.

A principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

TALIMCO and its related persons do not generally engage in principal transactions with Clients. If we were to engage in such affiliated principal transactions for Separate Accounts, we would

disclose the transaction to the Client and obtain the Client's consent in accordance with Section 206-3 of the Advisers Act. With respect to the Funds, we may engage in such transactions as described in each Fund's particular Offering Documents. In particular, on occasion, it may be beneficial for the Funds to sell assets to or buy assets from the CDOs for which we act as collateral manager. The governing documents of a Fund may provide for consultation or approval of such transactions and the terms thereof by a committee of investors. Any such purchase or sale will comply with the notice and consent requirements for principal transactions set forth in Section 206 of the Advisers Act. The potential conflicts of interest are disclosed in the Fund's Offering Documents.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction. We do not engage in agency cross transactions.

## **2. *Cross Transactions***

Generally, with the exceptions set forth below, it is our policy not to engage in buying or selling of securities from one Client account to another (typically referred to as a "cross trade").

Cross transactions may give rise to conflicts of interest between Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, we could use our investment authority to transfer unappealing securities from one Client to another Client. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Fund by us and our related persons, we will comply with the requirements of Section 206(3) of the Advisers Act, our internal policies and procedures and any governing Offering Documents. For example, when reviewing a proposed principal transaction or cross transaction, we will confirm, among other things: (i) that such transaction will be consistent with the investment objectives and policies of each Client involved in the transaction and (ii) that the transaction is effected at fair market value.

The vast majority of trades made for Client accounts will be executed through the open market. We may engage in cross trading under limited circumstances. However, we will only do so when we believe it is in the best interest of both Clients. In such circumstances, neither we nor our affiliates will receive transaction-based compensation from the trade. In certain situations, specific consent for each such transaction may be required from both parties to the transaction.

## **3. *Investment in Funds***

We or an affiliate may make a general partner or similar investment in the Funds. We or an affiliate may also purchase offered interests in certain Funds, generally as a co-investment. We, our investment professionals and principals and related persons may also invest in the Funds or be granted interest in or phantom interests related to the Funds. We do not believe that these investments cause a conflict of interest between us and the Funds but rather function to better

align the interests of the investors with our own interests since our own capital is being invested alongside the investors' capital. By virtue of an investment in the Funds, we may be considered to participate, indirectly, in transactions effected for the Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the Offering Documents. Any such investments are made in conformity with the Code which has procedures regarding the use of confidential information and personal investing.

We may solicit qualified Separate Account Clients to invest in a Fund. We could be considered to have recommended an investment in the Fund as suitable for a Client as a result of the relationship between us and the Fund. We will inform each Client of our relationship with a Fund prior to the Client's investment, but we do not intend to advise Clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Fund (except to the extent that we receives Management Fees from all Fund investors).

#### **4. *Buying and Selling Securities That Are Recommended to Clients:***

We may buy for Clients securities of issuers in which another Client has made, or is making, a senior or subordinate investment, which may create conflicts of interest. For example, if one Client is invested in debt securities of an issuer and another Client is invested in equity securities of the same issuer, if the issuer experiences financial or operating challenges which impact the price of its securities, decisions relating to actions to be taken may raise conflicts of interest between these Clients. We may have Clients with different or competing investment objectives. As a result, we may take, on behalf of one Client, consistent with such Client's investment objectives, a contrary investment position to that taken by another Client which position is consistent with such other Client's investment objective

### **C. Personal Trading**

We recognize that the personal securities transactions of certain of our Employees considered access persons under applicable regulations demand the application of a high code of ethics, and we require that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, we believe that if investment goals are similar for Clients and for such Employees, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, we have adopted a set of procedures, included in the Code, with respect to transactions effected by such Employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have adopted a quarterly securities transaction reporting system for such Employees. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

## **D. Other Conflicts of Interests**

Our Code of Ethics has policies and procedures to address the following additional conflicts of interest. While we do not believe that there are any conflicts that pose material risks to Client interests, we wish to note some additional potential conflicts that are inherent in our structure and activities. We also have included brief descriptions of the procedures we use to mitigate their effects.

### *1. Non Public Material Inside Information/Insider Trading*

We have established policies and procedures reasonably designed to prevent the misuse by us and our Employees of material information regarding issuers of securities that has not been publicly disseminated ("**material non-public information**"). In general, under the procedures, when we are in possession of material non-public information related to a publicly-traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither GSREA nor Employees are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that we have is no longer deemed to be material non-public information.

### *2. Gifts/Gratuities*

Our Code sets forth procedures regarding gifts and business entertainment to address the potential conflicts of interest surrounding these practices. Further explanation of our gift and business entertainment policy can be found in our Code.

### *3. Political Contributions*

Due to the potential for conflicts of interest, we have established procedures relating to political contributions which are designed to comply with applicable federal and state law. All Employees are required to seek preapproval before making any political contribution.

### *4. Valuation*

Our Client accounts may at times hold illiquid or difficult to value investments. We believe our valuation policies and procedures enable us to value Client assets fairly and in a manner that is consistent with the best interests of our Clients. Typically, our fees are based upon the value of Client portfolios. We have the authority to determine the value of our investments which may be illiquid or difficult to value, and in such cases have an incentive to select the highest potential value for these investments. Our judgments as to the value of investments in our Funds are subject to review and audit by the Funds' auditors. With Separate Accounts, the fees we earn are based on the aggregate amount invested and not on the value of the investments, which we believe mitigates mis-valuation conflicts. Fees earned from CDOs are based on the outstanding principal amount of the assets collateralized by the CDOs as determined by the trustee for the CDOs.



## 5. *Conflicts from Competing Interests*

Clients may compete with each other for access to our resources, including investment opportunities. There may be conflicts of interest in allocating investment opportunities among the current and future funds we manage. There are no restrictions on us from forming, sponsoring, owning and/or managing additional investment vehicles that have overlapping investment objectives or investment criteria. We are subject to our own allocation policies, which are subject to change in our discretion. We may devote more time, attention or resources to some of these potentially competing funds than to others or present an opportunity to certain Funds that we do not or cannot present to all. This could have a material adverse effect on a Fund's ability to acquire assets, generate cash flow and income, and make distributions.

We may confront conflict concerns when allocating scarce investment opportunities, given the benefit to us of favoring Funds that pay a higher fee or generate more income for us. To address this conflict of interest, we have adopted various allocation policies (See Section 12) as well as supervisory procedures that are intended to fairly allocate investment opportunities among competing Funds.

Performance-based compensation may create a conflict of interest, as it can create an incentive for us to make or recommend investments that are riskier or more speculative than would be the case in the absence of such compensation structure. Certain of our supervised persons may individually receive, as part of their compensation, carried interest payments or equivalent phantom interests, which are based on the performance of the relevant Client. To address these potential conflicts, we have policies and procedures designed to ensure that each of Client accounts is managed in a manner that is consistent with our fiduciary obligations, as well as with the Client's investment objectives, investment strategies and restrictions.

## 6. *Conflicts from our other activities and investments*

The Funds may engage any of our affiliates to provide financial advisory, placement, underwriting, investment banking, loan servicing, insurance, real estate, due diligence or other services to the Fund; provided that the fees or other amounts earned in respect of the rendition of such services are at least as favorable to the Fund as those generally available from experienced and unaffiliated persons; provided, further, that the Fund has consulted with an Advisory Committee with respect to the terms of such engagement and; provided, further, that the material terms of any such contract between the Fund and an affiliate will be subject to the prior written approval of the advisory committee if (a) such contract is outside of the ordinary course of business of the Fund, (b) such consent is required under Section 206(3) of the Advisers Act or (c) such contract is reasonably expected to (i) provide for the payment of \$50,000 or more to such affiliate or (ii) have a term of one year or longer.

We may engage in a broad spectrum of real estate finance and investment activities that are independent from, and may from time to time conflict with, Clients. In the future, there might arise instances where our interests conflict with the interests of Clients and/or Fund investors. We or our affiliates may engage in transactions with, provide services to, invest in, advise, sponsor and/or act as investment manager to portfolio companies, investment vehicles and

other persons or entities that may have similar structures and investment objectives and policies to those of our Clients and that may compete with Clients for investment opportunities and that may co-invest with Clients in certain transactions. Such investments may be senior or junior to, participations in, or have rights and interests different from or adverse to, Client investments. The interests in such investments may conflict with the interests of a Client in related investments at the time of acquisition or in the event of default or restructuring of an investment. While we believe the risk of these conflicts has been mitigated by Fund exclusivity policies, our agreements with respect thereto are subject to certain exceptions and thus conflicts of interest may still arise.

Certain members of our management team may have conflicts in allocating their time and services among Clients and other ventures. Thus, while it is anticipated that members of our management team will devote as much time to a particular Client as we deem appropriate, certain members of the management team may have to devote a substantial amount of time to matters other than a particular Client.

Investors in our Funds may include taxable and tax-exempt persons and entities and may include investors organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by us that may be more beneficial for one type of member or limited partner than for another type of member or limited partner. In addition, we may make investments for the Funds that may have a negative impact on other investments made by the member or limited partners in separate transactions. In selecting investments appropriate for the Funds, we consider the investment objectives of the Fund as a whole, not the investment objectives of any member or limited partner individually.

Although we and our affiliates will invest our own capital in the Funds along with the other investors, our interests and those of affiliates may under some circumstances differ from those of the Funds and/or the members or limited partners. Such conflicting interests could potentially affect our decisions in purchasing, holding and disposing of the investments of the Fund.

## *7. Conflicts in general*

Various parts of this brochure discuss potential conflicts of interest that arise from our advisory business. We disclose these conflicts due to the fiduciary relationship we have with Clients. When acting as a fiduciary, we owe Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between us and Clients; or between our Employees and Clients. Where potential conflicts arise from our fiduciary activities, we will take steps to mitigate, or at least disclose, them. Conflicts arising from fiduciary activities that we cannot avoid (or chose not to avoid) are mitigated through written policies that we believe protect the interests of our Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment, discussed above – regulators have generally prescribed detailed rules or principle for investment firms to follow. By complying with these rules, using robust compliance practices, we believe that we handle these conflicts appropriately.

## **Item 12: Brokerage Practices**

### **A. Criteria for Selection of Broker-Dealers**

#### **In General—Brokerage Selection**

We have discretion to purchase and sell securities for our Clients and to select the broker-dealer for securities transactions. We look to the overall quality of service provided by the broker and will consider many factors when making a selection for execution. We will generally seek “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transactions, we may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. We will not obligate ourselves to obtain the lowest commission or best net price for an account on any particular transaction.

#### **Research and Other Soft Dollar Benefits**

Soft dollars refers to the practice of using a portion of the commissions generated when executing Client transactions to acquire useful research and brokerage services from broker-dealers. In general, our policy is to not direct soft dollar credits to individual brokers or dealers on behalf of our Clients.

#### **Brokerage for Client Referrals**

We do not enter into agreements with, or make commitments to, any broker-dealer that would bind us to compensate that broker-dealer, directly or indirectly, for Client referrals (or sale of fund interests) through the placement of brokerage transactions.

#### **Directed Brokerage**

We do not engage in directed brokerage transactions.

### **B. Aggregation of Orders/Allocation of Trades**

We perform investment management services for various Clients. There will be occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous Client accounts, some of which may have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. When

such concurrent authorizations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Since participation in specific investment opportunities may be appropriate, at times, for more than one Client, we have established policies and procedures for allocating investment opportunities among Clients, subject to any requirements of the governing documents of the Funds. The policies and procedures have been adopted to ensure that investment opportunities are allocated across multiple Clients on a fair and equitable basis over time.

We will allocate such opportunities among Clients on a basis that we determine in good faith to be appropriate, taking into consideration factors including, but not limited to, the Client's investment strategy, the sourcing of the transaction, the relative amounts of capital available for investment (taking into account applicable reserves), the size of the transaction, the amount of potential follow-on investing that may be required for such investment and other portfolio investments and investment restrictions and guidelines.

Certain Funds may invest in different parts of the capital structure of the same property or portfolio of properties. For example, one Fund may invest in senior debt securities in which another Fund has a mezzanine or other subordinate interest. The interests of the Funds may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for a Fund may be adverse to another Fund.

Trade errors are evaluated on a case-by-case basis. If we determine that our gross negligence, willful misconduct or fraud was the direct cause of a trade error, we generally will compensate a Client for any losses resulting from such trade error. If a third-party's negligence or other wrongdoing causes a trading error that is material to a Client, we will attempt to recover the amount of loss from the third party for the Client. We do not assume responsibility for compensating the Client, or making the third party compensate the Client, in such cases.

## **Item 13: Review of Accounts**

### **A. Periodic Reviews**

All accounts are reviewed by our senior investment professionals on a continuous basis to determine their conformity with investment objectives and guidelines. The investment professionals involved in portfolio management receive daily updates of portfolio positions and transactions or otherwise periodically as appropriate to the type of investment. Senior investment professionals, with the assistance of other investment professionals, regularly review and discuss portfolio status, potential investments, performance, and related issues.

### **B. Non-Periodic Reviews**

Not applicable.

### **C. Client Reports**

Investors in the Funds receive quarterly and annual statements indicating their capital balances and the account's balance sheet and income statement. These materials are provided with a report highlighting the developments for the period. Separate Account Clients receive quarterly reports showing open positions, dividend and interest income, realized gains and losses, and performance for the period.

Investors in CDOs receive reports from the trustees for the CDOS which address the underlying collateral assets, asset performance and valuation of the assets.

We, in our discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Funds or Separate Account Clients.

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

### **A. Compensation by Non-Clients**

We and/or our affiliates may be entitled to receive special servicing fees from the servicing of commercial mortgage loans underlying certain of the investments of the Funds. We may obtain such special servicing assignments by exercising special servicing designation decision rights possessed by the Funds. Although these fees are in addition to management fees paid by the Funds, we and/or our affiliates may in certain circumstances reduce management fees in connection with the receipt of such fees

From time to time, we may receive transactions fees, including origination, acquisition, disposition, brokerage, investment banking, financing, break-up or similar fees from third party borrowers or property owners which are directly related to the activities of the Funds.

### **B. Compensation for Client Referrals**

Neither we nor a related person directly or indirectly compensates any person for Client referrals.

Unrelated third-parties may be compensated for assistance in arranging capital commitments from both domestic and foreign sources in the Funds. Any such arrangements are conducted pursuant to written agreements. The compensation to be paid to such unrelated parties is negotiated on an individual case basis

## Item 15: Custody

### *Private Investment Funds*

Generally neither we nor our affiliates will maintain physical possession of the funds or securities of any Fund. Physical custody of the assets of a Fund will be maintained with a bank, trust company, broker-dealer or other qualified custodian ("**Qualified Custodian**") selected by us in our exclusive discretion, which selection may change from time to time generally without the consent of investors in the Fund.

Although neither we nor our affiliates we will not have physical possession or custody of any Fund assets under Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**"), we are deemed to have "constructive" custody of the assets of the Funds by virtue of our affiliates acting as general partner or managing member of such Funds.

In order to comply with the Custody Rule, the Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB). The audited financial statements, prepared in accordance with GAAP, are distributed to all investors in each Fund within 120 days of the end of the fund's fiscal year.

### *Separate Accounts*

Generally, neither we nor our affiliates will maintain physical possession of the funds or securities that a Client maintains in a Separate Account. The assets in a Separate Account typically are deposited with a Qualified Custodian selected by the Client. The Qualified Custodian will prepare and distribute to such Client, quarterly or more frequent account statements, which should be reviewed carefully by the Client. Clients should carefully read and compare any account statements received from us against account statements received from the Qualified Custodian.

### *CDOs*

We do not have custody of the assets collateralizing the CDOs which are held by the trustee for the CDOs, which is a Qualified Custodian.

## **Item 16: Investment Discretion**

Subject to any investment restrictions set forth in the Offering Documents for a Fund or in the investment management agreement with Separate Accounts, we have discretionary authority to make the following determinations without obtaining the consent of any Client before the transactions are effected:

- the investments that are to be bought or sold;
- the total amount of investments to be bought or sold;
- the brokers, investment banks or placement agents, if any, through which investments are to be bought or sold; and
- the acquisition price and associated fees at which investment transactions for a Client are effected.

Our discretionary authority is derived from our authority as the investment manager of each Fund and Separate Account and our authority pursuant to the Offering Documents, including the Management Agreement of each Fund.

In certain circumstances, the investment management agreement for CDOs may provide for re-investment and that would confer similar discretion to effect transactions as described above.



## Item 17: Voting Client Securities

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests. Rule 206(4)-6 under the Advisers Act (the **"Proxy Voting Rule"**) places specific requirements on registered investment advisers with proxy voting authority. Due to the nature of our investment strategy, equity securities will generally to be included in portfolio of the investments of any Client. Nevertheless, because we have discretionary authority over the securities held by certain Clients, we are viewed as having proxy voting authority over such securities. Accordingly, we are subject to the Proxy Voting Rule. To meet our obligations under this rule, we have adopted written Proxy Voting Policies and Procedures, which are available upon request. These policies and procedures are reasonably designed to ensure that we vote proxies in the best interest of the Clients and addresses how we will resolve any conflict of interest that may arise when voting proxies.

### **Item 18: Financial Information**

We are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to our Clients.

## **Item 19: Privacy**

Maintaining the confidentiality of the personal financial information of individual investors in our Funds is very important to us. To provide investors with superior service, we may collect several types of nonpublic personal information about investors, including:

- Information from agreements, account opening documentation or other forms that investors may fill out and send to us in connection with an investment (such as name, address, and social security number)
- Information an investor may give us orally
- Information about investor transactions with others or us
- Information an investor may submit to us in correspondence, including e-mails
- Information about the amount investors have invested in a Fund (such as initial investment and any additions to and withdrawals from a capital account).
- Information about any bank account investors may use for transfers between a bank account and a custodial account or a capital account of a Fund, including information provided when effecting wire transfers.

We do not sell or disclose investor personal information to anyone without investor authorization except as permitted or required by law or in response to inquiries from government authorities. For example, we may share information collected about investors with our independent auditors in the course of the annual audit of a private investment fund in which investors have an investment.

We may share this information with our legal counsel as we deem appropriate and with regulators. Additionally, a copy of an investor's tax Form K-1 is included in a private investment fund's tax return filed with the Internal Revenue Service. Finally, we may disclose information about an investor at the investor's request (for example, by sending duplicate account statements to someone designated by the investor), or as otherwise permitted or required by law.

Within TALIMCO, access to nonpublic personal information about investors is restricted to those employees who need to know the information to service investors. Our employees are trained to follow our procedures to protect investor privacy and are instructed to access information about investors only when they have a business reason to obtain it.

We also may disclose investor personal information to unaffiliated third parties (such as to brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to investors. We maintain procedural safeguards to guard investor nonpublic personal information.

If, at any time in the future, it is necessary to disclose any of an investor's personal information in a way that is inconsistent with this policy, we will give such investor advance notice of the proposed change so that the investor will have the opportunity to opt out of such disclosure.

We reserve the right to change our privacy policy in the future, but we will not disclose investor nonpublic personal information (except as required or permitted by law) without giving the investor an opportunity to instruct us not to disclose the investor's nonpublic personal information.