
Archon Group, L.P.

6011 Connection Drive

Irving, TX 75039

<http://www.archongroup.com>

This brochure provides information about the qualifications and business practices of the Advisory Division of Archon Group, L.P. If you have any questions about the contents of this brochure, please contact us at (972) 368-2200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

Additional information about the Advisory Division of Archon Group, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

February 14, 2012

Item 2 - MATERIAL CHANGES

This section is currently not applicable. This brochure ("Brochure") is dated February 14, 2012. For ease of reference, capitalized terms that are defined when first used in the Brochure are also set forth in the Glossary.

Item 3 - TABLE OF CONTENTS

Item 4 - ADVISORY BUSINESS	3
Item 5 - FEES AND COMPENSATION	4
Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	6
Item 7 - TYPES OF CLIENTS	9
Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	10
Item 9 - DISCIPLINARY INFORMATION	18
Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	19
Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	22
Item 12 - BROKERAGE PRACTICES.....	26
Item 13 - REVIEW OF ACCOUNTS.....	27
Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION	28
Item 15 - CUSTODY	29
Item 16 - INVESTMENT DISCRETION.....	30
Item 17 - VOTING CLIENT SECURITIES	31
Item 18 - FINANCIAL INFORMATION	32
GLOSSARY	33
APPENDIX A – FEE SCHEDULES	35
APPENDIX B - INFORMATION ON SIGNIFICANT STRATEGY RISKS	36

Item 4 - ADVISORY BUSINESS

Archon Group, L.P.

This Brochure relates to the investment advisory services offered by the Advisory Division of Archon Group, L.P. ("Adviser"). The Adviser is an indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc. ("GS Group"), a public company that is a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"), and a world-wide, full-service financial services organization. The Adviser was founded in 1996.

The Adviser currently serves as sub-adviser to private investment funds ("Funds") formed and operated by Goldman Sachs Asset Management, L.P. ("GSAM") and the Merchant Banking Division ("MBD") of Goldman, Sachs & Co. ("GS&Co."). In the future, the Adviser may provide investment advisory services to other investment vehicles and separately managed accounts (collectively with the Funds, "Clients"). MBD, GSAM and other advisers on behalf of whose clients the Adviser may provide services in the future are sometimes referred to in this Brochure as the "Primary Advisers."

GSAM and GS&Co. are also wholly-owned subsidiaries of GS Group. In this Brochure, GS Group, the Adviser, and their respective affiliates, directors, partners, trustees, managers, members, officers and employees are referred to collectively as "Goldman Sachs."

The Adviser generally provides investment advice on a recommendation basis and must seek the approval of the Primary Advisers prior to acquiring or disposing of Client assets.

Description of Advisory Services

The Adviser's businesses consist of several sub-groups including U.S. Real Estate, Hospitality Asset Management, Loan Asset Management, Portfolio Management and Archon Capital. Through these groups the Adviser provides services with respect to real estate securities and real estate loans, including, but not limited to, sourcing, acquisition, asset management, underwriting, due diligence, financing and disposition services. The Adviser specializes in real estate investments in office, retail, hospitality and multifamily assets and is experienced in development and redevelopment projects. The Adviser provides services to real estate loans including performing and non-performing senior/junior positions, complex structured finance products, high yield preferred and mezzanine positions, CMBS and floating rate transitional loans.

Investment Restrictions

The investment restrictions applicable to each Client are described in the relevant offering materials and/or applicable advisory agreements for the Client.

Assets Under Management

As of December 31, 2011, the Adviser (together with its foreign affiliates) had securities under management of approximately \$9.9 billion.

Item 5 - FEES AND COMPENSATION

The Adviser receives fees based on the type of service it provides. The Adviser's current fee schedule, which provides a general range of the Adviser's fees, is set forth in Appendix A. The Adviser's actual fees, minimum fees and minimum account sizes may be negotiated, and a Client may pay more or less than the fees set forth in Appendix A or than similar Clients depending on the particular circumstances of the Client, the size and scope of the overall Client relationship, additional or differing levels of servicing or as otherwise agreed with specific Clients.

The primary components of the Adviser's fees are cost reimbursement and a Margin (as described below). Cost reimbursement generally is defined to mean operating costs (including an allocation of overhead expenses, which vary by transaction type, but include such items as legal and accounting fees, other professional services fees including appraiser, surveyor, structural engineer, environmental engineer, real estate property tax expert, zoning and planning consultant, general contractor or construction expert, real estate broker, leasing agent, property management company, financing origination fees, insurance premiums, advertising expenses, travel, lodging, long distance telephone calls, postage, delivery, copying, telecopy, secretarial overtime and similar charges, salaries and bonuses, payroll, office space, supplies, utilities and other similar expenses) (collectively, "Reimbursable Expenses"). "Margin" refers to an additional component that is individually negotiated with Clients. In limited instances, the Adviser may provide oversight services and receive a fixed fee in lieu of Reimbursable Expenses.

The Adviser generally receives Reimbursable Expenses in connection with its sourcing, structuring and acquisition services. If a potential transaction terminates before a final closing occurs, the Adviser may be entitled to receive a portion of its Reimbursable Expenses.

In addition to Reimbursable Expenses and a Margin, the Adviser generally receives disposition fees. In connection with certain transactions, the Adviser may also be entitled to receive incentive fees in the event certain return hurdles are obtained.

Calculation and Deduction of Advisory Fees

The Adviser may invoice the Clients or the Primary Advisers for its fees. In some instances, the Adviser may directly invoice the portfolio companies owned by the Clients. Any incentive fee charged to a Client by the Adviser is in addition to any override payable by such Client to its Primary Adviser.

Other Fees and Expenses

In addition to the fees described above, Clients may be subject to other fees and expenses, as negotiated, in connection with the Adviser's advisory services.

To the extent Goldman Sachs provides other services to Clients not included in the advisory fee, Goldman Sachs will be entitled to retain all such fees and other amounts and no fees or other compensation will be reduced thereby.

Prepaid Fees

The Adviser generally does not charge Clients fees in advance. As stated above, the Adviser may be entitled to receive a portion of its Reimbursable Expenses if a potential transaction terminates before a final closing occurs.

Compensation for the Sale of Securities

Generally, except as described below, personnel of the Adviser ("Archon Personnel") do not receive formulaic compensation based on the sale of securities or other investment products. Compensation is

based on a variety of factors, including, but not limited to: net revenues for the past year which in part are derived from advisory fees, and for certain Clients, performance-based fees; individual performance; contributions to overall performance; the performance of the Adviser and Goldman Sachs; and depending on the individual's role, delivery of investment performance. Certain of the Adviser's affiliates may receive compensation based on the sale of securities or other investment products held directly or indirectly by the Adviser. See Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Adviser may manage Client accounts that pay performance-based fees and Client accounts that are based on asset-based fees and utilize the same investment strategy and invest in the same assets. A performance-based fee may include carried interest, override, incentive allocation and other similar forms of performance-based compensation.

Performance-based fee arrangements may vary among Clients and investment strategies. Different types of performance fees may make it more likely that the Adviser will receive a higher performance-based fee for certain Client accounts than they will for other Client accounts.

Clients that pay performance-based fees reward the Adviser based on the performance of their investments. Performance fee arrangements provide a heightened incentive for portfolio managers to make investments that may present a greater potential for return but also a greater risk of loss and that may be more speculative than would exist if only asset-based fees were applied. The simultaneous management of Client accounts that pay performance-based fees and Client accounts that only pay an asset-based fee or that pay performance-based fees that are calculated in a different manner may create a conflict of interest as the portfolio manager may have an incentive to favor Clients with the potential to receive greater fees. For instance, a portfolio manager may be faced with a conflict of interest when allocating scarce investment opportunities given the possibly greater fees from Clients that pay performance-based fees as opposed to Clients that pay no performance-based fees. To address these types of conflicts, the Adviser has adopted policies and procedures under which allocation decisions may not be influenced by fee arrangements and investments and will be allocated in a manner that the Adviser believes is consistent with its obligations as an investment adviser. The Adviser's policies and procedures relating to allocation of investment opportunities are described further below. Investment groups within the Adviser are subject to these and/or other similar policies and procedures that are consistent with the Adviser's obligations as an investment adviser and that address circumstances that may be unique to their businesses. In addition, the Adviser's actions for one Client may affect other Clients. For additional information about these situations, please see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Side-by-Side Management

The Adviser may manage or advise multiple Client accounts (including accounts in which Goldman Sachs and its personnel ("Personnel") have an interest) that have investment objectives that are similar and may seek to make investments or sell investments in the same securities or other instruments, sectors or strategies. This may create potential conflicts, particularly where there is limited availability or limited liquidity for those investments. In addition, certain investment opportunities generated by, or known to, the Adviser may be appropriate for one or more of the Clients, as well as Goldman Sachs or may be appropriate for co-investment by a Client alongside Goldman Sachs. Allocations of investment opportunities present conflicts of interest and investment opportunities that are suitable for a Client may nonetheless be pursued and consummated by Goldman Sachs or other Goldman Sachs sponsored investment funds.

To address these potential conflicts, the Adviser has developed allocation policies and procedures that provide that personnel of the Adviser making portfolio decisions or recommendations for Clients ("Advisory Personnel") will make purchase and sale decisions and allocate investment opportunities among Clients consistent with its fiduciary obligations. Factors may include, without limitation:

- account investment horizons and investment objectives and mandate;
- different levels of investment for different strategies, including sector oriented, concentrated new opportunities or other strategies;
- Client-specific investment guidelines and restrictions;

- the expected future capacity of applicable accounts;
- tax sensitivity of accounts;
- suitability requirements and the nature, size and type of the investment opportunity;
- cash and liquidity considerations, including without limitation, availability of cash for investment;
- relative sizes and expected future sizes of applicable accounts;
- availability of other appropriate investment opportunities;
- legal and regulatory restrictions affecting certain accounts; and
- current investments made by Clients with respect to the applicable investment opportunity.

Suitability considerations may include:

- relative attractiveness of an investment to different Clients;
- concentration of industry sector, sub-strategy, or positions in an account;
- appropriateness of a security for the investment target or benchmark;
- an account's risk tolerance, risk parameters and strategy allocations;
- use of the opportunity as a replacement for an opportunity that the Adviser believes to be attractive for an account but is otherwise unavailable to the account; and/or
- considerations related to hedging a position in connection with an investment.

Non-proportional allocations may occur across the Adviser. In addition, the fact that certain Advisory Personnel are dedicated to one or more Clients may be a factor in determining the allocation of opportunities sourced by such personnel. Reputational matters may also be considered. All Clients may not be offered the same investment opportunities sourced through Goldman Sachs.

The Adviser may, from time to time, develop and implement new investment strategies or seek to participate in new investment opportunities. These strategies and opportunities may not be employed in all Client accounts or pro rata among Client accounts where they are employed, even if the strategy or opportunity is consistent with the objectives of such Clients. In addition to the factors described above, the Adviser may make decisions based on other factors such as strategic fit and other portfolio management considerations, including a Client's capacity for such strategy or opportunity, the liquidity of the strategy and its underlying instruments, the account's liquidity, the business risk of the strategy relative to the Client's overall portfolio make-up, and the lack of efficacy of, or return expectations from, the strategy for the Client. For example, such a determination may, but will not necessarily, include consideration of the expectation that a particular strategy will not have a meaningful impact on a Client given the overall size of the Client's account, the limited availability of opportunities in the strategy and the availability of other strategies for the account.

During periods of unusual market conditions, the Adviser may deviate from its normal allocation practices.

As a result of the above, there will be cases where certain Clients receive an allocation of an investment opportunity when other Clients do not. The application of these principles may cause differences in the performance of different Clients accounts that have similar strategies.

Conflicts Related to Services to Discretionary and Non-Discretionary Accounts

The Adviser may provide non-discretionary investment advisory services where the Adviser advises Clients on purchasing, selling, holding, valuing, or exercising rights with respect to particular investments, but does not have discretion to execute purchases or sales on behalf of the Clients without their specific instruction. The Adviser may advise with respect to the same or similar securities in discretionary and non-discretionary accounts. There may be timing differences related to the transmission of advice to non-discretionary account Clients for consideration and a determination of whether to act on the advice. As a result, the Adviser may engage in investments for discretionary accounts in advance of the Adviser communicating with non-discretionary account Clients about those investments. As a result, particularly with investments of limited opportunity, non-discretionary accounts may receive prices or terms that are less favorable than those obtained for discretionary accounts.

In other cases, the Adviser may decide to separate advice in discretionary and non-discretionary accounts. For example, in connection with non-discretionary accounts, the Adviser may have information with respect to pending purchases or sales, or relating to a non-discretionary Client's business and financial position. In the event that the Adviser considers such information to be of a sensitive nature, the Adviser may, on a case by case basis, elect to implement internal policies and procedures (including where appropriate, the use of informational barriers) to manage the flow of such information within the Adviser, which may prevent the transmission or affect the timing of transmission of certain advice to some accounts.

Item 7 - TYPES OF CLIENTS

The Adviser currently provides advisory services to Clients, including Funds managed by the Primary Advisers. The minimum amount investors must invest for participation in a Fund is set forth in the Fund's offering materials and varies from Fund to Fund. In the future, the Adviser may provide investment advisory services to other investment vehicles and separately managed accounts.

Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The Adviser offers services related to the management, sourcing, acquisition and disposition of real estate securities and loans (typically secured by real estate). The services are provided across regions and risk spectrum.

Clients should understand that all investment strategies and the investments made pursuant to the Adviser's strategies involve risk of loss, including the potential loss of the entire investment in the Client accounts, which Clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for Client accounts will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.

The Adviser's investment process typically begins with the creation of a deal team comprising the Archon Personnel and Client professionals (i.e., employees of GS Group and its subsidiaries, including, but not limited to MBD and/or GSAM depending on which entity is the Client for the particular transaction). The Adviser's employees on the deal team are responsible for assembling the resources necessary to execute the acquisition, which may include third party consultants and service providers. For each type of transaction (i.e., real estate acquisition by deed, non-performing loan transaction, mezzanine loan origination, formation of a joint venture with an operating partner, etc.) the Adviser has, and will employ, a business process to ensure that all aspects of the transaction are managed properly. A fundamental part of the acquisition process, regardless of the nature of the transaction, is the role the Adviser plays in valuing the investment. The valuation generally takes into account such things as current and projected market conditions, the proposed capital structure, projected operations and cash flows, the counterparty(ies), the hold period, exit strategy, legal, tax and regulatory considerations, and various return sensitivity analyses including base, best and worst case scenarios. Equally important are the due diligence services provided by the Adviser, along with third party service providers overseen by the Adviser, to ensure that all aspects of a given investment are identified and taken into consideration. Finally, the Adviser is directly involved in the closing of the investment and the transition of the investment from the acquisition process into the asset management process.

During the asset management period, various investment strategies may be employed by the Adviser depending on the nature of the underlying investment. For example, with respect to non-performing loans, case-by-case strategies are utilized to maximize returns to Clients, including the enforcement of lender remedies (e.g., foreclosure of the underlying collateral), acceptance of a discounted pay-off from the borrower or the modification and restructuring of the loan. With respect to an opportunistic real estate investment, the Adviser may seek to reposition the asset within the local market by undergoing an aggressive capital improvement program, thereby increasing demand and rental rates for the asset. In the case of a hotel asset, the strategy may be to change the branding and make certain physical improvements to the hotel to enhance the value. In many situations, a change is made to the third party property management company in an effort to improve day-to-day operational efficiencies. The strategies employed by the Adviser are many and vary depending on the nature of the asset, and, even within a given asset class, the strategies will vary depending upon the unique facts and circumstances of each investment.

Material Risks for Significant Services and Particular Types of Securities

Following is a summary of the material risks for each of the Adviser's services and the investment techniques employed by the Adviser.

The information contained in this Brochure cannot disclose every potential risk associated with an investment strategy, or all of the risks applicable to a particular Client. Rather, it is a general description of the nature and risks of the strategies and securities and other instruments that Clients may include in their investment guidelines for their accounts. Clients should not include these strategies and financial instruments in their guidelines for their accounts unless they understand the risks of these strategies and financial instruments that they permit the Adviser to purchase on their behalf. Clients should also be satisfied that such financial instruments are suitable for their accounts in light of their circumstances, their investment objectives and their financial situation. In addition, investors in the Funds should carefully review the prospectuses, offering memorandums and constituent documents for additional information about risks associated with those products.

Information about the risks described below, and additional information about the risks associated with other security types and investment techniques used by the Adviser is available in Appendix B. For Funds, additional information about risks is also set forth in the prospectus or other offering document or constituent documents for those Funds. Clients are encouraged to read those product-specific risk disclosures carefully when available. Information relating to the material risk for significant investment strategies for GSAM and MBD is available in the Forms ADV Part 2 for those registered investment advisers.

General Risks

All of the Adviser's strategies may be subject to the following general portfolio risks:

- **Concentration Risk**—The risk that if a Client account concentrates its investments within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the Client's investments more than if its investments were not so concentrated. Also, to the extent a Client concentrates its assets in investments in the same asset class, it may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Client may affect the overall value of the account more than it would affect an account that holds more investments.
- **Counterparty Risk**—A Client may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets.
- **Currency Risk**—A Client may hold investments denominated in currencies other than the currency in which the Client account is denominated. Currency exchange rates can be extremely volatile and a variance in the degree of volatility of the market or in the direction of the market from the Adviser's expectations may produce significant losses to a Client. The Adviser may or may not attempt to hedge all or any portion of the currency exposure of a Client account. However, even if the Adviser does attempt to hedge the currency exposure of a Client account, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in any particular currency because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. To the extent unhedged, the value of a Client's assets will fluctuate with currency exchange rates as well as the price changes of its investments in the various local markets and currencies. Such fluctuations could have a material adverse effect on a Client.
- **Hedging Risk**—Hedging techniques could involve a variety of derivatives, including futures contracts, exchange-listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts, and various interest rate transactions (collectively, "Hedging Instruments"). To the extent the Adviser utilizes hedging techniques in respect of a Client account, hedging techniques involve risks different than those of underlying investments.

- **Investment Style Risk**—Different investment styles tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. Client accounts may outperform or underperform other accounts that invest in similar asset classes but employ different investment styles. The Adviser may modify or adjust its investment strategies from time to time.
- **Leverage Risk**—If a Client account utilizes leverage, the Client account will be subject to heightened risk. Leverage may take the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, including among others forward contracts, futures contracts, options, swaps (e.g., total return financing swaps and interest rate swaps), repurchase agreements and reverse repurchase agreements, or other forms of direct and indirect borrowings, and other instruments and transactions that are inherently leveraged. Any such leverage, including leverage that takes the form of instruments and transactions that are inherently leveraged, may result in the Client's market value exposure being in excess of the net asset value of the Client account. A Client may not be able to liquidate assets quickly enough to repay its borrowings, which will increase the losses incurred by the Client.
- **Liquidity Risk**—The risk that a Client may make investments that may be illiquid or that are not publicly traded and/or for which no market is currently available or that may become less liquid in response to market developments or adverse investor perceptions. Additionally, a Client may invest in private funds and generally will not be able to redeem their capital account balances or withdraw their interests, and there will be no active secondary market for the interests. Moreover, investors may not, directly or indirectly, sell, assign, encumber, mortgage, transfer, or otherwise dispose of, voluntarily or involuntarily, any portion of their interests without the private fund's consent, which may be granted or withheld in its sole discretion.
- **Management Risk**—The risk that a strategy used by the Adviser may fail to produce the intended results for a Client.
- **Market Risk**—The value of the instruments in which a Client invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments and/or general economic conditions.
- **Non-U.S. Securities Risk**—Non-U.S. securities may be subject to risk of loss because of less government regulation, less public information and less economic, political and social stability in the countries and/or the jurisdictions in which these securities are traded. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody.
- **Risks of Derivative Investments**—Clients may invest in derivative instruments including, without limitation, options, futures, options on futures, forwards, swaps, interest rate caps and floors and collars. Losses in a Client account from investments in derivative instruments can result from a lack of correlation between changes in the value of derivative instruments and the portfolio assets (if any) being hedged, the potential illiquidity of the markets for derivative instruments, the failure of the counterparty to perform its contractual obligations, or the risks arising from margin requirements and related leverage factors associated with such transactions. The use of these management techniques also involves the risk of loss if the Adviser is incorrect in its expectation of the timing or level of fluctuations in securities prices or interest rates.
- **Volatility Risk**—The prices of a Client's investments can be highly volatile. Price movements of assets are influenced by, among other things, interest rates, changing supply and demand relationships, programs and policies of governments, and national and international political and economic events and policies. Clients may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and have other adverse effects. Deteriorations in economic and financial market conditions, and uncertainty regarding economic markets generally, could result in declines

in the market values of potential investments or declines in market values. Such declines could lead to losses and diminished investment opportunities for Client accounts, could prevent Client accounts from successfully meeting their investment objectives or could require Client accounts to dispose of investments at a loss while such unfavorable market conditions prevail. While such market conditions persist, Client accounts will also be subject to heightened risks associated with the potential failure of brokers, counterparties and exchanges, as well as increased systemic risks associated with the potential failure of one or more systemically important institutions.

All of the Adviser's strategies may be subject to the following other general risks:

- **Dependence on Key Personnel**—Clients may rely on certain key personnel of Goldman Sachs. As a result of regulation or for other reasons, the amount of compensation that may be payable to Goldman Sachs executives or other employees may be reduced, or employees who rely on work visas or other permits may have such visas or permits revoked or not renewed. As a result, certain key personnel may leave Goldman Sachs. The departure of any of such key personnel or their inability to fulfill certain duties may adversely affect the ability of the Adviser to effectively implement the investment programs of the Clients.
- **Legal, Tax and Regulatory Risks**—The Adviser and certain of its Clients are subject to legal, tax and regulatory oversight, including by the SEC, the Federal Reserve System, the United Kingdom Financial Services Authority ("FSA") and similar regulators world-wide. For example, as a wholly owned subsidiary of The Goldman Sachs Group, Inc., a bank holding company, certain of the Adviser's activities and transactions in respect of Client accounts may be restricted. Similarly, there have been recent legislative, tax and regulatory changes and proposed changes that may apply to the activities of the Adviser and managers to which the Adviser allocates Client assets that may require material adjustments to the business and operations of, or have other material adverse effects on, Clients. Any rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which may negatively impact the performance of Client accounts.
- **Operational Risk**—The risk that a Client may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

Strategy-Related Risks

In addition to the risks described under "General Risks," the material risks associated with the Adviser's investment strategies include:

- **Competitive Real Estate Environment**—The business of investing in real estate, real estate operating companies and other real estate-related investments is highly competitive. There is significant competition for real estate investments from other sources of capital, including REITs, private equity funds and other private and public companies. Likewise, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty and will likely require Clients to participate in a significant number of auctions or other forms of competitive (as opposed to negotiated) bids. Clients may incur significant expenses in connection with participating in these auctions and investigating other potential investments which are ultimately not consummated, including, but not limited to, expenses relating to due diligence, transportation and legal expenses.
- **Credit/Default Risk**—An issuer or guarantor of fixed income securities held by a Client may default on its obligation to pay interest and repay principal. Additionally, the credit quality of securities may deteriorate rapidly, which may impair a Client's liquidity and cause significant

value deterioration. Clients may invest in leveraged loans that are considered speculative. Leveraged loans and unrated securities of comparable credit quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities and loans may be subject to greater price volatility due to such factors as specific issuer developments, interest rate sensitivity, negative perceptions of the leverage loan markets generally and less secondary market liquidity. Clients may purchase the securities of issuers that are in default.

- **Debt Securities Risk**—The Adviser may invest in debt on behalf of the Clients, which is subject to interest rate risk and the risk that the issuer or the guarantor of the security will be unable or unwilling to make timely principal and/or interest payments, or otherwise to honor its obligations. These debt investments may be unsecured and structurally or contractually subordinated to senior indebtedness. Moreover, these debt investments may not be protected by financial covenants or limitations upon additional indebtedness. The foregoing risks could materially adversely affect the investment results of a Client.
- **Dependence on Property Managers and Operating Partners**—Certain real estate investments rely on the expertise of property managers who are responsible for the day-to-day management of properties and operating partners who help to identify, evaluate, underwrite, operate, manage and dispose of assets. The selection of property managers and operating partners is inherently based on subjective criteria, making the true performance and abilities of a particular property manager or operating partner difficult to assess. This reliance on third parties to manage or operate investments poses significant risks. For example, a property manager or operating partner may suffer a business failure, become bankrupt or engage in activities that compete with investments. These and other problems, including the deterioration of the business relationship between the Adviser and the property manager or operating partner, could have a material adverse effect on the assets held by a Client.
- **Environmental Risks and Natural Disasters**—Investments in or relating to real estate assets may be subject to numerous statutes, rules and regulations relating to environmental protection. Certain statutes, rules and regulations might require that investments address prior environmental contamination, including soil and groundwater contamination, which results from the spillage of fuel, hazardous materials or other pollutants. Under various environmental statutes, rules and regulations, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability, whether or not the owner or operator knew of or was responsible for the presence of hazardous materials. A Client may be exposed to substantial risk of loss from environmental claims arising in respect of real estate acquired with environmental problems, and the loss may exceed the value of such investment. In addition, certain investments may be located in earthquake zones or be subject to risks associated with other natural disasters, such as fire, hurricanes, tornadoes, windstorms, volcanic eruptions, tsunamis or floods. Insurance coverage of such risks may be limited, may be subject to large deductibles or may be, or in the future become, completely unavailable, and the Adviser or the Primary Advisers will determine in their discretion whether to seek insurance coverage of (or to seek alternative ways to manage or mitigate) such risks.
- **Impact of Recessionary Environment on Real Estate Investments**—Investments in real estate may be adversely affected by deteriorations and uncertainty in the financial markets and economic conditions throughout the world. Real estate historically has experienced significant fluctuations and cycles in value and local market conditions which may result in reductions in the value of real property interests. All real estate-related investments are subject to the risk that a general downturn in the national or local economy will depress real estate prices. Recent economic developments have increased, and may continue to increase, the risk associated with investing in real estate investments. Given the volatile nature of the current market disruption

and the uncertainties underlying efforts to mitigate or reverse the disruption, the Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment. Such a failure could materially and adversely affect the Clients and their investment objectives or could require Clients to dispose of investments at a loss while such unfavorable market conditions prevail.

- **Interest Rate Risk**—When interest rates increase, fixed income securities held by a Client will generally decline in value. Long-term fixed income securities will normally have more price volatility because of this risk than short-term fixed income securities.

To the extent that the strategy invests in mortgage backed or asset backed securities, it may be subject to mortgage-backed and/or other asset-backed risk. Mortgage-related and other asset backed securities are subject to certain additional risks, including “extension risk” (i.e., in periods of rising interest rates, issuers may pay principal later than expected) and “prepayment risk” (i.e., in periods of declining interest rates, issuers may pay principal more quickly than expected, causing a Client to reinvest proceeds at lower prevailing interest rates).

- **Mezzanine Debt**—Mezzanine debt is typically subordinated to the obligations of a company to senior creditors, trade creditors and employees. As such, an investment in mezzanine debt is generally riskier than an investment in senior debt. The ability of the Adviser to influence a company’s affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. In addition, the subordinated nature of the mezzanine debt may limit the Adviser’s rights under and its recovery on the mezzanine loan if the issuer becomes the subject of bankruptcy or insolvency proceedings.
- **Operating and Financial Risks of Portfolio Companies**—One of the fundamental risks associated with a Client’s investments may be credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. Portfolio companies could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, an economic downturn or legal, tax or regulatory changes. Moreover, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel. As a result, portfolio companies expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. Portfolio companies may be highly leveraged. Leverage may have important consequences to these companies and a Client as an investor. These companies may be subject to restrictive financial and operating covenants. Leverage may impair the ability of these companies to finance their future operations and capital needs. In addition, although a portfolio company may incur leverage, proceeds of this debt may be paid as a dividend to stockholders and not invested in operating or financial assets, or otherwise retained by such portfolio company. As a result, the flexibility in these companies to respond to changing business and economic conditions and to exploit business opportunities may be limited. A leveraged company’s income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. In addition, a portfolio company with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a rise in interest rates, a downturn in the economy or deterioration in the condition of that Portfolio Company or its industry. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of a Client’s investment in a portfolio company could be significantly reduced or even eliminated. The securities acquired by a Client may be the most junior in a capital structure, and thus subject to the greatest risk of loss.

- **Potential Early Redemption of Investments**—A Client's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Client earlier than expected. This may happen when there is a decline in interest rates, or when a portfolio company's performance allows the refinancing of mezzanine debt with lower cost debt. Should conditions in the credit market revert to the conditions that existed during 2006-2007, early repayments of the debt held by a Client could increase. To the extent such early prepayments occur, they may have a material adverse effect on a Client's objectives and the profits on capital invested in fixed income securities.
- **Real Estate Industry Risk**—The real estate industry is particularly sensitive to economic downturns; specific market conditions may result in occasional or permanent reductions in property values. The values of securities of companies in the real estate industry may go through cycles of relative under-performance and out-performance in comparison to equity securities markets in general. Additionally there are risks related to general and local economic conditions which may include: possible increased cost of or lack of availability of mortgage financing or insurance, variations in rental income, neighborhood values or the appeal of property to tenants; interest rates; overbuilding; extended vacancies of properties; increases in competition, property and other taxes, assessed values and operating expenses; fluctuations in energy prices; and changes in zoning laws. Clients may be subject to personal injury or property damage or similar claims by private parties in respect of investments, and changes in laws or in the condition of an asset may create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen. In addition, investments that may require development are subject to additional risks, including availability and timely receipt of zoning and other regulatory approvals and cost and timely completion of construction (which may be affected by weather, labor conditions or material shortages).
- **Reliance on Company or Property Management**—To the extent the Adviser manages real estate assets of portfolio companies, the Adviser will rely on third parties to provide property management (although the Adviser will provide oversight and supervision). The Adviser may seek to be represented on the board of directors of portfolio companies; however, there is no assurance that this representation, if sought, will be obtained. Furthermore, even in cases where the Adviser may have certain rights to (i) be represented on the board of directors of portfolio companies, and/or (ii) participate in certain significant business decisions and/or other management rights, the Adviser does not have active roles in the day-to-day management of those companies. Accordingly, the success or failure of the portfolio companies will depend to a significant extent on their management.
- **Risks of Investing in Low Rated or Unrated Securities**—Securities that are rated in the lower rating categories by the various credit rating agencies or, more commonly, comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities.
- **Risks of Investing in Real Estate Securities**—Real estate securities may become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail,

among other things, a substantial reduction in the interest rate and a substantial write-down of such loan or asset. However, even if a restructuring were successfully completed, a risk exists that upon the maturity of such real estate security, replacement “takeout” financing will not be available. It may be necessary or desirable to foreclose on some of the collateral securing one or more investments held by a Client. Intercreditor provisions may substantially interfere with a Client’s ability to do so. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure process. In some states, foreclosure actions can take up to several years or more to litigate. At any time during the foreclosure proceedings, the borrower may file bankruptcy, which would have the effect of staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. The amount realized by a Client in any foreclosure action, if any, may be substantially less than the sum of the cost to the Client of the underlying loan plus the expenses incurred by the Client in connection with such foreclosure action. In addition, foreclosure actions by senior lenders may substantially affect the amount that may be received by the Client.

- **Terrorism Risk**—Terrorist attacks, in particular, may exacerbate some of the general risk factors related to investing in certain strategies, which could adversely affect the profitability of Client investments. For example, if a terrorist attack were to occur in the vicinity of a private real estate investment in which a Client is invested, it could result in a liability far in excess of available insurance coverage. Similarly, prices for certain commodities will be affected by available supply, which will be affected by terrorism in areas in which such commodities are located. The Adviser cannot predict the likelihood of these types of events occurring in the future nor how such events may affect Clients investments.

Item 9 - DISCIPLINARY INFORMATION

This Item requests information relating to the Adviser. In 2006, the Florida Real Estate Commission charged Archon Residential Management, LP, a wholly owned subsidiary of the Adviser, with failure to license each managed multifamily property located in Florida as a branch license. Archon Residential Management, LP was fined approximately \$2,000 and was required to license all locations.

In the ordinary course of their business, the Adviser and its Participating Affiliates (as defined in Item 10 below), the Primary Advisers, and their respective employees have in the past been, and may in the future be, subject to formal and informal regulatory inquiries, subpoenas, investigations, and legal or regulatory proceedings, involving the SEC, other regulatory authorities, or private parties. In the past ten years, the Adviser and its Participating Affiliates have not had an order or sanction issued against it by a regulatory body. Additional information about the Adviser's investment advisory affiliates is contained in Part 1 of the Adviser's Form ADV.

For information relating to other Goldman Sachs affiliates, please visit www.gs.com and refer to the public filings of The Goldman Sachs Group, Inc.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

Certain of the Adviser's management persons may be registered representatives of GS&Co., a registered broker-dealer, if necessary or appropriate to perform their responsibilities.

Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration

The Adviser is not registered with the Commodity Futures Trading Commission as a futures commission merchant, a commodity pool operator or a commodity trading advisor. However, certain of the Adviser's management persons may be registered as associated persons of a futures commission merchant, commodity pool operator or commodity trading advisor that is an affiliate of the Adviser.

Other Material Relationships with Affiliated Entities

The Adviser may use, suggest or recommend its own services or those of affiliated Goldman Sachs entities. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve sharing or joint compensation, or separate compensation, subject to the requirements of applicable law. Particular relationships may include, but are not limited to, those discussed below. Some of the relationships below do not currently exist between the Adviser and its affiliates, but could arise in the future. If there is no current business relationship between the Adviser and the relevant affiliate, disclosure about that affiliate has not been included in Section 7.A of Schedule D of Part 1 of the Adviser's Form ADV. Goldman Sachs' affiliates will retain any compensation when providing investment services to, or in connection with investment activities of, Clients. Compensation may take the form of commissions, mark-ups, mark-downs, service fees or other commission equivalents. Clients will not be entitled to any such compensation retained by Goldman Sachs' affiliates.

Broker-Dealer; Derivatives Dealer

Subject to Client consent, the Adviser may use, or suggest or recommend that Clients use, the securities, futures execution, custody or other services offered by the Adviser's broker-dealer and other affiliates. These may include (but are not limited to) GS&Co., Goldman Sachs International ("GSI"), Goldman Sachs Equity Securities (U.K.), Goldman Sachs Government Securities (U.K.), Goldman Sachs (Asia) Securities Limited, Goldman Sachs Japan Co., Ltd., Goldman Sachs Execution & Clearing, L.P., SLK Index Specialists, LLC, SLK Global Markets Ltd, and OOO Goldman Sachs. Clients pay for broker-dealer or other services performed by the Adviser's affiliates in addition to the advisory fee paid to the Adviser.

The Adviser may receive record keeping, administrative and support services from its broker-dealer affiliates. The Adviser, in its advisory capacity, may also obtain research ideas, analyses, reports and other services (including distribution services) from broker-dealer affiliates.

In addition, Goldman Sachs may have ownership interests in trading networks, securities, or derivatives indices, trading tools, settlement systems and other assets.

Investment Companies and Other Pooled Investment Vehicles

The Adviser or its affiliates act in an advisory or sub-advisory capacity, including as adviser, administrator and/or distributor, to a variety of U.S. and non-U.S. investment companies as well as other pooled investment vehicles including collective trusts and alternative investment funds. Certain Archon Personnel may also be directors, trustees and/or officers of these investment companies and other pooled investment vehicles.

Other Investment Advisers

The Adviser has participating affiliates in France, Germany, Italy, Japan and Singapore. These affiliates include: Archon Group France S.A.S., Archon Group Gestion, Archon Capital Bank Deutschland GMBH, Archon Group Deutschland GMBH, Società Gestione Crediti S.R.L., Archon Group Italia S.R.L., Goldman Sachs Realty Asia Pacific PTE. Ltd., Minato Saiken Kaishu, K.K. and Goldman Sachs Realty Japan LTD. that are not registered with the SEC as investment advisers but are foreign affiliated advisers that may provide advice or research to the Adviser for use with the Adviser's U.S. clients (in such capacity, "Participating Affiliates"). The Participating Affiliates will act according to a series of SEC no-action relief letters mandating that Participating Affiliates remain subject to the regulatory supervision of both the Adviser and the SEC. The Adviser has or intends to have co-advisory or sub-advisory relationships with affiliates, and/or participating affiliate relationships with the Participating Affiliates.

The Adviser currently provides advisory services to Clients, including Funds managed by GSAM and MBD, the Primary Advisers. The Primary Advisers are investment advisers and are affiliates of the Adviser.

The Adviser may, in its discretion, delegate all or a portion of its advisory or other functions (including placing trades on behalf of Clients) to any affiliate that is registered with the SEC as an investment adviser or to any Participating Affiliate. To the extent the Adviser delegates its advisory or other functions to affiliates that are registered with the SEC as investment advisers, a copy of the brochure of each such affiliate is available on the SEC's website (www.adviserinfo.sec.gov) and will be provided to Clients or prospective clients upon request. Clients that want more information about any of these affiliates should contact the Adviser.

In addition, the Adviser may participate in sub-advisory, co-advisory or other joint projects related to pooled investment vehicles with institutions not a part of Goldman Sachs.

Financial Planner

The Adviser's affiliate, The Ayco Company, L.P. ("Ayco"), provides financial planning services, investment management and other services to publicly traded companies and privately held firms and their respective executives and employees.

Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser

The Adviser has affiliates registered with the CFTC as a futures commission merchant, commodity pool operator and/or commodity trading adviser. These firms include: GS&Co., GSAM, Goldman Sachs Asset Management International, Goldman Sachs Hedge Fund Strategies LLC, Goldman Sachs Management Partners, L.P., GS Investment Strategies, LLC, Goldman Sachs Execution & Clearing, L.P., Goldman Sachs Investment Partners GP LLC, Liberty Harbor I GP LLC, GS Distressed Opportunities Advisors LLC, GS Distressed Opportunities Offshore Advisors Inc and GS Distressed Opportunities Offshore Holdings Inc. If permitted by law and applicable regulations, the Adviser may buy or sell futures on behalf of its Clients through its CFTC-registered affiliates and these affiliates may receive commissions.

Bank or Thrift Institution

The Goldman Sachs Group, Inc. is a bank holding company registered with the Board of Governors of the Federal Reserve System. The Goldman Sachs Group, Inc. is subject to supervision and regulation by the Federal Reserve Board of Governors.

The Goldman Sachs Trust Company, a limited trust company licensed by the State of New York, and its affiliates, may provide custody services to the Adviser's Clients at the request of the Clients and may receive compensation directly from the Adviser's Clients or from the Adviser.

The Adviser also has relationships with The Goldman Sachs Trust Company, N.A., a national bank limited to fiduciary activities ("GSTC") and The Goldman Sachs Trust Company of Delaware, a Delaware limited purpose trust company. The Adviser and its affiliates provide a variety of services to GSTC, including investment advisory, distribution, marketing, operational, infrastructure, financial, auditing, and administrative services. The Adviser and its affiliates will receive fees from GSTC according to the fee schedules agreed between the parties. GSTC also maintains collective investment funds for eligible pension and profit sharing clients.

Sponsor or Syndicator of Limited Partnerships

The Adviser's affiliates may create and/or distribute unregistered privately-placed vehicles and may receive fees.

Insurance Company or Agency

The Adviser's affiliates, Commonwealth Annuity and Life Insurance Company, First Allmerica Financial Life Insurance Company, Columbia Capital Life Reinsurance Company and Charleston Capital Reinsurance, LLC engage in the insurance business for the purpose of insuring and reinsuring life and annuity contracts including, but not limited to variable life and variable annuity contracts. The Adviser's affiliates, Arrow Capital Reinsurance Company, Limited and Arrow Reinsurance Company, Ltd engage in the insurance business for the purpose of reinsuring life and annuity contracts including, but not limited to variable life and annuity contracts and reinsuring property and catastrophe risks.

Management Persons; Policies and Procedures

Certain of the Adviser's management persons also hold positions with the affiliates listed above. In these positions, those management persons of the Adviser may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other parts of Goldman Sachs. Consequently, in carrying out their roles at the Adviser and these other entities, the management persons of the Adviser may be subject to the same or similar potential conflicts of interest that exist between the Adviser and these affiliates.

The Adviser has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that may arise between the Adviser, its management persons and its affiliates. These policies and procedures include: information barriers designed to prevent the flow of information between the Adviser, the Archon Personnel and certain other affiliates; policies and procedures relating to brokerage selection, trading with affiliates or investing in products managed or sponsored by affiliates; and allocation and trade sequencing policies applicable to Clients and Accounts (as defined in Item 11). Additional information about these conflicts and the policies and procedures to address them is available in Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Advisers Act designed to provide that Archon Personnel, and certain additional Personnel who support the Adviser, comply with applicable federal securities laws and place the interests of Clients first in conducting personal securities transactions. The Code imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest. Subject to the limitations of the Code, covered persons may buy and sell securities or other investments for their personal accounts, including investments in pooled investment vehicles that are sponsored, managed or advised by Goldman Sachs, and may also take positions that are the same as, different from, or made at different times than, positions taken for Clients. The Adviser will provide a copy of the Code to Clients or prospective clients upon request.

Additionally, Personnel, including Archon Personnel, are subject to firmwide policies and procedures regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading.

Participation or Interest in Client Transactions

The Adviser acts as investment adviser under the Advisers Act in accordance with fiduciary standards. Goldman Sachs is a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization and a major participant in global financial markets. As such, Goldman Sachs provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Goldman Sachs acts as an investment banker, research provider, investment manager, financier, advisor, market maker, prime broker, derivatives dealer, lender, counterparty, agent and principal. In those and other capacities, Goldman Sachs advises clients in all markets and transactions and purchases, sells, holds and recommends a broad array of investments, including securities, derivatives, loans, commodities, currencies, credit default swaps, indices, baskets and other financial instruments and products for its own accounts and for the accounts of clients and of its Personnel, through client accounts and the relationships and products it sponsors, manages and advises (such Goldman Sachs or other client accounts, relationships and products collectively, the “Accounts”). Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, and the securities and issuers, in which the Clients may directly and indirectly invest. As a result, Goldman Sachs’ activities and dealings may affect Clients in ways that may disadvantage or restrict Clients and/or benefit Goldman Sachs or other Accounts. The following are descriptions of some of the conflicts and potential conflicts that may be associated with the financial or other interests that the Adviser and Goldman Sachs may have in transactions effected by, with, and on behalf of Clients.

Principal Trading and Cross/Agency Cross Transactions with Clients

When permitted by applicable law and the Adviser’s policy, the Adviser, acting on behalf of its Clients, may enter into transactions in securities and other instruments with or through Goldman Sachs or in Affiliated Products (as defined below), and may cause Clients to engage in cross transactions. There may be potential conflicts of interest relating to these transactions which could influence the Adviser’s decision to engage in these transactions for Clients. Principal transactions occur if the Adviser, on behalf of Clients, engages in a transaction in securities or other instruments with Goldman Sachs or in Affiliated Products acting as principal. Goldman Sachs may earn compensation (such as a spread or mark-up) in connection with these transactions. Cross transactions occur if the Adviser causes a Client to buy securities or other instruments from, or sell securities or other instruments to, another Client of the Adviser or its investment advisory affiliates. An agency cross transaction occurs if Goldman Sachs acts as broker for, and receives a commission from, a Client on one side of the transaction and a brokerage

account on the other side of the transaction in connection with the purchase or sale of securities by the Client. Goldman Sachs may have a potentially conflicting division of loyalties and responsibilities to the parties in such transactions, and has developed policies and procedures in relation to such transactions and conflicts. It will effect these transactions in accordance with fiduciary requirements and applicable law (which may include disclosure and consent).

Effects of Goldman Sachs' Activities on Clients

The extent of Goldman Sachs' activities in the global financial markets may have potential adverse effects on the Clients. Goldman Sachs, the clients it advises, and its personnel have interests in and advise Accounts which have investment objectives or portfolios similar to or opposed to those of the Clients, and/or which engage in and compete for transactions in the same types of securities and other instruments as the Clients, including Accounts that may provide greater fees or other compensation, including performance-based fees, to Goldman Sachs. These interests may involve the same or related securities or other instruments as those in which the Clients invest, and such Accounts may engage in a strategy while a Client is undertaking the same or a differing strategy, any of which could disadvantage the Client. For example, a Client may buy a security and Goldman Sachs may establish a short position in that same security or in similar securities. This short position may result in the impairment of the price of the security that the Client holds or may be designed to profit from a decline in the price of the security. A Client and Goldman Sachs may also vote differently on or take or refrain from taking different actions with respect to the same security, which may be disadvantageous to the Client.

Goldman Sachs, on the one hand, and a Client, on the other hand, or two different Clients themselves, might invest in different levels of the capital structure of the same portfolio company and may compete with each other or otherwise take action that adversely affects the other. In these instances, a conflict arises if the Adviser provides services to both the Client and Goldman Sachs, and in the case of different Clients, because the Adviser provides services to both Clients. In addition, Goldman Sachs may advise clients with respect to different parts of the capital structure of the same issuer and that are subordinate or senior to, securities in which a Client invests. As a result, Goldman Sachs and the Adviser may pursue or enforce rights or activities, or refrain from pursuing or enforcing rights or activities, with respect to a particular issuer in which a Client has invested. For example, Goldman Sachs may seek a liquidation of an issuer in respect of which it holds debt securities, whereas a Client holding equity securities in such issuer may prefer a reorganization of the issuer. Clients may be negatively affected by these activities, and transactions for the Clients may be effected at prices or terms that may be less favorable than would otherwise have been the case. The Clients could sustain losses during periods in which Goldman Sachs and other clients achieve profits. The negative effects described above may be more pronounced in connection with transactions in, or Clients utilizing, small capitalization, emerging market, distressed or less liquid strategies.

Goldman Sachs is engaged in the business of making, underwriting and syndicating senior and other loans to corporate real estate and other borrowers, and seeks to provide these services in connection with the Adviser's involvement in real estate investments ("Real Estate Investments"). For instance, Real Estate Investments may borrow money from Goldman Sachs and/or Goldman Sachs may arrange or underwrite bank or high-yield financing used by Real Estate Investments. In certain circumstances, Goldman Sachs may be the sole provider of financing to a Real Estate Investment. In addition, Goldman Sachs is the sponsor of (and some of the Clients are) investment partnerships specializing in senior secured loan investments and mezzanine investments, which may make senior secured loan and/or mezzanine investments in Real Estate Investments alongside the Clients or otherwise. Goldman Sachs may also create, write, sell, issue, invest in or act as placement agent or distributor of derivative instruments related to the Clients, or with respect to underlying securities or assets of a Client, or which may be otherwise based on or seek to replicate or hedge the performance of a Client. Such derivative transactions, and any associated hedging activity, may differ from and be adverse to the interests of the Clients.

In connection with its rights as lender, Goldman Sachs may take actions that adversely affect an Account, including by causing an Account to default, liquidate its assets or redeem positions more rapidly (and at

significantly lower prices) than might otherwise be desirable. As a debt holder in a company subject to a restructuring, Goldman Sachs may recover amounts owed to it while the equity interest of Accounts (including Clients) may be extinguished or substantially diluted. Such transactions will adversely affect the Account and may in turn adversely affect other Accounts (e.g., a Client holding the same type of security that is providing the credit support to the borrower Account may be disadvantaged when the borrower Account liquidates assets in response to an action taken by Goldman Sachs). Thus, there can be no assurance that the interests of the Clients will not be subordinated to those of Goldman Sachs to the detriment of a Client.

Goldman Sachs and its personnel, when acting as an investment banker, market maker, investor, broker, advisor or research provider, may make recommendations, provide differing investment views or have views with respect to research or valuations that are inconsistent with, or adverse to, the interests and activities of the Clients. Moreover, research, analyses or viewpoints may be available to clients or potential clients at different times. Goldman Sachs, on behalf of one or more Accounts (including Accounts advised by other areas of Goldman Sachs), may implement a portfolio decision or strategy ahead of, or contemporaneously with, or behind similar portfolio decisions or strategies made for the Clients (whether or not the portfolio decisions emanate from the same research analysis or other information). The relative timing for the implementation of portfolio decisions or strategies among Accounts and the Clients may work to the disadvantage of the Clients. Certain factors, for example, market impact, liquidity constraints, or other circumstances, could result in the Clients receiving less favorable trading results or incurring increased costs associated with implementing such portfolio decisions or strategies, or being otherwise disadvantaged.

Goldman Sachs has established certain information barriers and other policies to address the sharing of information between different businesses within Goldman Sachs. As a result of information barriers, the Adviser generally will not have access, or will have limited access, to information and Personnel in other areas of Goldman Sachs, and generally will not be able to manage the Clients with the benefit of information held by these other areas. Goldman Sachs, due to its access to and knowledge of funds, markets and securities based on its prime brokerage and other businesses, may make decisions based on information or take (or refrain from taking) actions with respect to interests in investments of the kind held by the Clients in a manner that may be adverse to the Clients and may not share information with the Adviser. Information barriers may also exist between businesses within the Adviser. In addition, Goldman Sachs will not have any obligation to make available any information regarding its trading activities, strategies or views, or the activities, strategies or views used for other accounts managed by it, for the benefit of the Clients.

The Adviser, in some instances, may cause the Clients to invest, directly or indirectly, in securities, bank loans or other obligations of companies affiliated with Goldman Sachs or in which Goldman Sachs has an equity, debt or other interest, or to engage in investment transactions that may result in other Accounts being relieved of obligations or otherwise divesting of investments. These activities by a Client may enhance the profitability of Goldman Sachs' or other Accounts' investments in and activities with respect to such companies. Goldman Sachs may derive benefits from providing investment advisory, distribution, transfer agency, administrative and other services to the Clients, and providing such services to the Clients may enhance Goldman Sachs' relationships with various parties, facilitate additional business development and enable Goldman Sachs to obtain additional business and generate additional revenue. Goldman Sachs may also derive benefits from portfolio, investment, service provider or other decisions made by the Adviser, including those resulting in fees, compensation and remuneration and other benefits to Goldman Sachs. The Clients will not be entitled to compensation related to any businesses of Goldman Sachs or the Adviser.

The Adviser performs certain valuation services related to securities and assets held by the Clients. The Adviser values securities and assets according to its valuation policies and may value an identical asset differently than another division or unit within Goldman Sachs, or differently than another Account, including because such other division or unit has information regarding valuation techniques and models or other information that it does not share with the Adviser. This is particularly the case in respect of difficult-to-value assets. The Adviser may face a conflict with respect to such valuations as they may

affect the compensation of the Adviser or an affiliate. In addition, to the extent the Adviser utilizes third-party vendors to perform certain valuation functions, these vendors may have interests and incentives that differ from those of the Clients.

The Adviser's decisions and actions on behalf of a Client may differ among the Clients. Advice given to, or investment or voting decisions made for, one or more Clients may compete with, affect, differ from, conflict with, or involve timing different from, advice given or investment decisions made for other Clients. Please also refer to Item 6, Performance-Based Fees and Side-By-Side Management.

Financial Incentives in Selling and Managing Client Accounts

Goldman Sachs and its Personnel may receive benefits and earn fees and compensation for services provided to Clients and in connection with its distribution of separately managed accounts and pooled vehicles managed by Goldman Sachs or its affiliates ("Affiliated Products"). The Adviser may have a financial incentive to allocate Client assets to Affiliated Products rather than to accounts or funds managed by third parties. Any differentials in compensation may create a financial incentive for the Adviser and its personnel to recommend or select advisory products or investment strategies that will result in greater compensation and profit to the Adviser and, indirectly, to personnel of the Adviser involved in decision-making for Clients. Please also refer to Item 6, Performance-Based Fees and Side-By-Side Management.

Firm Policies and Regulatory Restrictions Affecting the Clients

The Adviser may restrict its investment decisions and activities on behalf of a Client in various circumstances, including as a result of applicable regulatory requirements, information held by Goldman Sachs, Goldman Sachs' internal policies and/or potential reputational risk or disadvantage to Accounts, including the Clients, and Goldman Sachs. As a result, the Adviser might not engage in transactions for, or recommend transactions to, a Client in consideration of Goldman Sachs' activities outside the Clients. For example, the Adviser may determine to restrict or limit the amount of a Client's investment where exceeding a certain aggregate amount could require a filing or a license or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligations for Goldman Sachs, including the Adviser. In addition, the Adviser is not permitted to obtain or use material non-public information in effecting purchases and sales in public securities transactions for the Clients. The Adviser may also limit its activities, transactions and its exercise of rights on behalf of or in respect of a Client for reputational or other reasons, including where Goldman Sachs is providing, or may provide, advice or services to a company, or to another client that is or may be engaged in a transaction related to such company, or where Goldman Sachs is or may be involved in a transaction that could affect Goldman Sachs, the Adviser or their activities.

Item 12 - BROKERAGE PRACTICES

Broker-Dealer Selection

Where applicable, the Adviser provides for the execution of transactions for Clients according to its best execution policies and procedures. Best price, giving effect to commissions and commission equivalents, if any, and other transaction costs, is normally an important factor in this decision. When selecting an execution venue, the Adviser also takes into account the quality of brokerage services, such as execution capability, timing and speed of execution, responsiveness, creditworthiness and financial stability, clearance and settlement capability, certain other services, and, in certain circumstances, a broker-dealer's willingness to commit capital and the provision of research and "soft dollar" benefits as described below. Accordingly, transactions will not always be executed at the lowest available price or commission.

The reasonableness of commissions for non Client-directed trade execution is evaluated by the Adviser on an ongoing basis based on many factors, including the general level of commissions paid, and in certain cases, the nature and value of research and other services provided. The Adviser may execute transactions through GS&Co. or other affiliates to the extent consistent with law, with Client instruction, and with its duty to seek best execution.

Counterparty Credit Requirements

A Client will be required to establish business relationships with its counterparties based on its own credit standing. Goldman Sachs, including the Adviser, will not have any obligation to allow its credit to be used in connection with a Client's establishment of its business relationships, nor is it expected that a Client's counterparties will rely on the credit of Goldman Sachs in evaluating the Client's creditworthiness.

Item 13 - REVIEW OF ACCOUNTS

General Description

Investments (both loan and real estate securities) under the Adviser's management are subject to a periodic strategic business planning process. The Adviser's asset managers, as part of the ordinary course, continuously monitor market conditions, operating performance and other factors that may impact the value of a given investment. Depending on the Client, various review and analysis is conducted by the Adviser on a periodic basis and corresponding reports are generated.

Factors Triggering a Review

In addition to periodic reviews, the Adviser performs reviews as it deems appropriate or as otherwise required. Additional reviews may be undertaken because of changes in market conditions, changes in security positions or changes in a Client's investment objective or policies.

Client Reports

The Adviser provides various reports as agreed with Clients. Such reports may include: annual status reports, semi-annual portfolio reports, quarterly cash forecast worksheets, monthly updates and cash flow reports, debt analysis, earnings analysis and business plan summaries.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Goldman Sachs may have relationships with, and purchase, or distribute or sell, services or products from or to, distributors, consultants, and others who recommend the Clients, or who engage in transactions with or for the Clients. Consultants and such other parties may receive fees from Goldman Sachs or the Clients in connection with such relationships. Goldman Sachs may also pay a fee for membership in industry-wide or state and municipal organizations or otherwise help sponsor conferences and educational forums for investment industry participants including, but not limited to, trustees, fiduciaries, consultants, administrators, state and municipal personnel and other clients. Goldman Sachs' membership in such organizations allows Goldman Sachs to participate in these conferences and educational forums and helps Goldman Sachs interact with conference participants and develop an understanding of the points of view and challenges of the conference participants. Personnel, including employees of the Adviser, may have board, advisory, brokerage or other relationships with issuers, distributors, consultants and others that may recommend the Clients. As a result of these relationships and arrangements, consultants, distributors and other parties may have conflicts associated with their promotion of the Clients or other dealings with Clients that create incentives for them to promote the Clients. Goldman Sachs, including the Adviser, and its Personnel may make charitable contributions to institutions, including those that have relationships with Clients or personnel of Clients and Personnel may have board relationships with charitable institutions.

Personnel may also make political contributions. The individuals and entities with which the Adviser and its Personnel have these relationships may recommend the Clients.

Item 15 - CUSTODY

The Adviser does not hold Client funds or securities. To the extent required by applicable law, Client funds and securities are held by a qualified custodian. However, under the Advisers Act, the Adviser may be “deemed” to have custody of Client assets under certain circumstances, including where Clients maintain assets at a bank, broker-dealer, futures commission merchant or other qualified custodian affiliated with the Adviser where the Adviser debits its fees directly from the Client account or where the Adviser purchases privately offered securities on behalf of the Client.

Item 16 - INVESTMENT DISCRETION

The Adviser generally does not have discretionary authority and in most instances must seek the approval of the Primary Advisers prior to acquiring or disposing of Client assets. Subject to any limitations a Client may impose on the Adviser's discretionary authority, the Adviser seeks to manage the Clients' investments in accordance with the objectives set forth in the Clients' offering materials and/or applicable advisory agreements.

Item 17 - VOTING CLIENT SECURITIES

Due to the nature of the Adviser's advisory services, the Adviser typically is not presented with proxy voting opportunities with respect to publicly traded securities. In the future, if it is contemplated that the Adviser may exercise voting authority with respect to Client interests in publicly traded securities, the Adviser will adopt policies and procedures to vote proxy proposals in a manner that serves the best interests of the Clients.

Item 18 - FINANCIAL INFORMATION

This Item is not applicable.

GLOSSARY

As used in this Brochure, these terms have the following meanings.

“Accounts” means client accounts and the relationships and products sponsored, managed or advised by Goldman Sachs.

“Adviser” means the Advisory Division of Archon Group, L.P.

“Advisers Act” means the Investment Advisers Act of 1940, as amended.

“Advisory Personnel” means Archon personnel involved in decision-making for Advisory Accounts.

“Affiliated Products” means separately managed accounts and pooled vehicles managed by Goldman Sachs and its affiliates.

“Ayco” means the Ayco Company, L.P.

“BHCA” means the Bank Holding Company Act of 1956, as amended.

“Brochure” means this Form ADV, Part 2A for the Adviser.

“CFTC” means the Commodity Futures Trading Commission.

“Clients” means the Funds and other investment vehicles and separately managed accounts to which the Adviser may provide advisory services in the future.

“Code” means the Adviser’s Code of Ethics.

“FSA” means the United Kingdom Financial Services Authority.

“Funds” means investing entities or investment vehicles formed and managed by GSAM and MBD.

“Goldman Sachs” means, collectively, The Goldman Sachs Group, Inc., the Adviser, GS&Co. and their respective affiliates, directors, partners, trustees, managers, members, officers and employees.

“GS&Co.” means Goldman, Sachs & Co.

“GSAM” means Goldman Sachs Asset Management, L.P.

“GS Group” means The Goldman Sachs Group, Inc.

“GSI” means Goldman Sachs International.

“GSTC” means The Goldman Sachs Trust Company, N.A.

“Hedging Instruments” means hedging techniques that could involve a variety of derivatives, including futures contracts, exchange-listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts, and various interest rate transactions.

“MBD” means the Merchant Banking Division of Goldman, Sachs & Co.

“Participating Affiliates” means the Adviser’s foreign affiliated advisers that may provide advice or research to the Adviser for use with the Adviser’s U.S. clients.

“Personnel” means Personnel of Goldman Sachs.

“Primary Advisers” means MBD, GSAM and other advisers on behalf of whose clients the Adviser may provide services in the future.

“Reimbursable Expenses” means the cost reimbursement to which the Adviser is entitled, as set forth in Item 5 of the Brochure.

“Screens” means information barriers and other policies to address the sharing of information between different businesses within Goldman Sachs.

“SEC” means the Securities and Exchange Commission.

APPENDIX A
FEE SCHEDULES

Asset Management Fees:	Reimbursable Expenses, or Reimbursable Expenses plus a negotiated Margin
Disposition Fees:	0% - 2% of disposition proceeds
Incentive Fees:	0%-30% of distributions or profits in excess of negotiated return hurdles

APPENDIX B

INFORMATION ON SIGNIFICANT STRATEGY RISKS

The following provides information on risks associated with certain types of securities and investment techniques that may be used by Clients as discussed in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss. It also discusses general risks associated with investing through a Client account. Additional information is available upon request. Fund investors should review the prospectuses, offering memoranda and constituent documents for additional information relating to the risk associated with investments in those Funds.

General Portfolio Risks

- **Concentration Risk**—The risk that if a Client concentrates its investments in issuers within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the Client's investments more than if its investments were not so concentrated. Also, concentration of the investments of a Client in issuers located in a particular country or region will subject a Client, to a greater extent than if investments were less concentrated, to the risks of adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region. Finally, to the extent a Client invests a larger percentage of its assets in a relatively small number of issuers, it may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Client may affect the overall value of the account more than it would affect an account that holds more investments. In particular, the Client may be more susceptible to adverse developments affecting any single issuer in the Client account and may be susceptible to greater losses because of these developments.
- **Counterparty Risk**—A Client may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions.
- **Currency Risk**—A Client may purchase or sell currencies through the use of forward contracts based on the Adviser's judgment regarding the direction of the market for a particular currency or currencies. A Client may also hold investments denominated in currencies other than the currency in which the Client is denominated. Currency exchange rates can be extremely volatile and a variance in the degree of volatility of the market or in the direction of the market from the Adviser's expectations may produce significant losses to a Client. The Adviser may or may not attempt to hedge all or any portion of the currency exposure of a Client. However, even if the Adviser does attempt to hedge the currency exposure of a Client, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in any particular currency because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. To the extent unhedged, the value of a Client's assets will fluctuate with currency exchange rates as well as the price changes of its investments in the various local markets and currencies. Thus, an increase in the value of the currency in which a Client account is denominated, compared to the other currencies in which a Client makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the Client securities in their local markets. Conversely, a decrease in the value of the currency in which a Client is denominated relative to other currencies will have the opposite effect on the Client's securities denominated in these other currencies.
- **Geographic Risk**—Concentration of the investments of a Client in issuers located in a particular country or region will subject a Client, to a greater extent than if investments were less concentrated, to the risks of adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region.

- **Investment Style Risk**—Different investment styles tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. Clients may outperform or underperform other accounts that invest in similar asset classes but employ different investment styles. The Adviser may modify or adjust its investment strategies from time to time.
- **Limited Assets**—A Client may at any time and from time to time have limited assets, which may limit the Adviser's ability to trade in certain instruments that typically require minimum account balances for investment. Clients may be limited with respect to the investment strategies they are able to employ and may be unable to diversify their portfolios across investment strategies or instruments.
- **Liquidity Risk**—The risk that a Client may make investments that may be illiquid or that are not publicly traded and/or for which no market is currently available or that may become less liquid in response to market developments or adverse investor perceptions. Lack of liquidity could prevent a Client from liquidating unfavorable positions promptly and could subject the Client to substantial losses.
- **Management Risk**—The risk that a strategy used by the Adviser may fail to produce the intended results for a Client, including the risk that the entire amount invested may be lost. There is no guarantee that the investment objective of the Client will actually be achieved and investment results of the Client may vary substantially over time.
- **Market Risk**—The value of the instruments in which a Client invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments and/or general economic conditions.
- **Non-U.S. Securities Risk**—Non-U.S. securities may be subject to risk of loss because of less government regulation, less public information and less economic, political and social stability in the countries and/or the jurisdictions in which these securities are traded. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody.
- **Restricted Investments Risks**—Restricted securities are securities that may not be sold to the public without an effective registration statement under the U.S. Securities Act of 1933, as amended, or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. These restrictions could prevent a Client from promptly liquidating unfavorable positions and subject such Client to substantial losses.
- **Risk Management Risk**—The Adviser may seek to reduce, increase or otherwise manage the volatility of a Client's overall portfolio or the Client's risk allocation to particular investments or sectors through various strategies, including by changing the amount of leverage utilized in connection with certain investments or sectors and/or by liquidating interests in certain investments and investing any proceeds in different investments or similar investments with a different volatility profile. There can be no assurance that the Adviser's use of such strategies will be adequate, or that they will be adequately utilized by the Adviser. Additionally, any strategies may be limited by, among other things, liquidity of the Client's investments and the availability of investment opportunities that the Adviser believes are appropriate.
- **Tax-Managed Investment Risk**—To the extent a Client is tax-managed, because the Adviser balances investment considerations and tax considerations, the pre-tax performance of a tax-managed Client may be lower than the performance of similar Clients that are not tax-managed. Even though tax-managed strategies are being used, they may not reduce the amount of taxable income and capital gains to which a Client may become subject.

- **Timing of Implementation Risk**—The Adviser gives no warranty as to the timing of the investment of Client assets generally and/or any changes to the Client account over time and from time to time (including in respect of asset allocation and investments), the performance or profitability of the Client account or any part thereof, nor any guarantee that any investment objectives, expectations or targets with respect to the Client account will be achieved, including without limitation, any risk control, risk management or return objectives, expectations or targets.

Other General Risks

- **Dependence on Key Personnel**—Clients may rely on certain key personnel of Goldman Sachs. As a result of regulation or for other reasons, the amount of compensation that may be payable to Goldman Sachs executives or other employees may be reduced, or employees who rely on work visas or other permits may have such visas or permits revoked or not renewed. As a result, certain key personnel may leave Goldman Sachs. The departure of any of such key personnel or their inability to fulfill certain duties may adversely affect the ability of the Adviser to effectively implement investment programs of Clients.
- **Legal, Tax and Regulatory Risks**—The Adviser and certain of its Clients are subject to legal, tax and regulatory oversight, including by the SEC, the Federal Reserve System, FSA and similar regulators world-wide. Goldman Sachs is regulated as a bank holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”), which generally restricts bank holding companies from engaging in business activities other than the business of banking and certain closely related activities. Although Goldman Sachs has elected to become a financial holding company under the BHCA, the activities of Goldman Sachs and its affiliates remain subject to certain restrictions imposed by BHCA and related regulations. Because Goldman Sachs is deemed to “control” the Adviser-managed pooled investment vehicles, under the BHCA, there may be restrictions on transactions and relationships between the Adviser-managed pooled investment vehicles and Goldman Sachs, as well as restrictions on the investments and transactions by, and the operations of, the Adviser-managed pooled investment vehicles. In addition, there have been recent legislative, tax and regulatory changes and proposed changes that may apply to the activities of the Adviser and managers to which the Adviser allocates client assets that may require material adjustments to the business and operations of, or have other material adverse effects on, Clients. Recent changes, which continue to evolve, include the enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, which includes the so-called Volcker Rule, the amendment of the Advisers Act and changes to the way derivatives and commodities are regulated. Similarly, foreign regulators have recently passed legislation and have proposed changes that may affect certain Clients, including the European Union Directive on Alternative Investment Fund Managers. There may also be unanticipated legal, tax and regulatory changes from time to time. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which may negatively impact the performance of Clients.
- **Limited Information Risk**—The Adviser will consider allocations for Clients utilizing information made available to it; however, as a result of informational barriers constructed between different divisions and areas of Goldman Sachs or other policies and procedures of Goldman Sachs, the Adviser may not generally have access to information and personnel in other areas of Goldman Sachs. Therefore, the Adviser will generally not be able to review potential investments for Clients with the benefit of information held by other divisions of Goldman Sachs. Information barriers may also exist between different businesses within the Adviser. Goldman Sachs has no obligation to seek information or to make available to or share with the Adviser any information, investment strategies, opportunities or ideas known to Personnel or developed or used in connection with other clients or activities.

- **Operational Risk**—The risk that a Client may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.
- **Performance-Based Compensation**—Performance-based compensation arrangements may create an incentive for the Adviser to make investments on behalf of the Clients that are riskier or more speculative than would be the case if such arrangements were not in effect. See Item 6, Performance-Based Fees and Side-by-Side Management.
- **Private Investment Risk**—Clients may invest in private investments, which may include debt or equity investments in operating and holding companies, investment funds, joint ventures, royalty streams, commodities, physical assets and other similar types of investments that are highly illiquid and long-term. Clients should not invest unless they are prepared to retain their interests in the Client account until the Client liquidates its private investments. In addition, the Client's ability to transfer and/or dispose of private investments is expected to be highly restricted.

Strategy Related Risks

- **Bankruptcy**—Investments by Clients in properties operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code (or similar laws in other jurisdictions) are, in certain circumstances, subject to certain additional liabilities that may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions by a Fund to its investors may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.
- **Competitive Real Estate Environment**—The business of investing in real estate, real estate operating companies and other real estate-related investments is highly competitive. There is significant competition for real estate investments from other sources of capital, including REITs, private equity funds and other private and public companies. Likewise, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty and will likely require Clients to participate in a significant number of auctions or other forms of competitive (as opposed to negotiated) bids. Clients may incur significant expenses in connection with participating in these auctions and investigating other potential investments which are ultimately not consummated, including, but not limited to, expenses relating to due diligence, transportation and legal expenses.
- **Credit/Default Risk**—An issuer or guarantor of fixed income securities held by a Client may default on its obligation to pay interest and repay principal. Additionally, the credit quality of securities may deteriorate rapidly, which may impair a Client's liquidity and cause significant value deterioration. Clients may invest in leveraged loans that are considered speculative. Leveraged loans and unrated securities of comparable credit quality are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities and loans may be subject to greater price volatility due to such factors as specific issuer developments, interest rate sensitivity, negative perceptions of the leverage loan markets generally and less secondary market liquidity. Clients may purchase the securities of issuers that are in default.
- **Interest Rate Risk**—When interest rates increase, fixed income securities held by a Client will generally decline in value. Long-term fixed income securities will normally have more price volatility because of this risk than short-term fixed income securities.

To the extent that the strategy invests in mortgage backed or asset backed securities, it may be subject to mortgage-backed and/or other asset-backed risk. Mortgage-related and other asset backed securities are subject to certain additional risks, including “extension risk” (i.e., in periods of rising interest rates, issuers may pay principal later than expected) and “prepayment risk” (i.e., in periods of declining interest rates, issuers may pay principal more quickly than expected, causing a Client to reinvest proceeds at lower prevailing interest rates).

- **Debt Securities Risk**—The Adviser may invest in debt on behalf of the Clients, which is subject to interest rate risk and the risk that the issuer or the guarantor of the security will be unable or unwilling to make timely principal and/or interest payments, or otherwise to honor its obligations. These debt investments may be unsecured and structurally or contractually subordinated to senior indebtedness. Moreover, these debt investments may not be protected by financial covenants or limitations upon additional indebtedness. The foregoing risks could materially adversely affect the investment results of a Client.
- **Dependence on Property Managers and Operating Partners**—Certain real estate investments rely on the expertise of property managers who are responsible for the day-to-day management of properties and operating partners who help to identify, evaluate, underwrite, operate, manage and dispose of assets. The selection of property managers and operating partners is inherently based on subjective criteria, making the true performance and abilities of a particular property manager or operating partner difficult to assess. This reliance on third parties to manage or operate investments poses significant risks. For example, a property manager or operating partner may suffer a business failure, become bankrupt or engage in activities that compete with investments. These and other problems, including the deterioration of the business relationship between the Adviser and the property manager or operating partner, could have a material adverse effect on the assets held by a Client.
- **Distressed Debt Obligations**—Although mezzanine investments in portfolio companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings, may result in significant returns, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing a Client’s investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a portfolio company, a Client may lose its entire investment, may be required to accept cash or securities with a value less than the Client’s original investment and/or may be required to accept payment over an extended period of time.
- **Environmental Risks and Natural Disasters**—Investments in or relating to real estate assets may be subject to numerous statutes, rules and regulations relating to environmental protection. Certain statutes, rules and regulations might require that investments address prior environmental contamination, including soil and groundwater contamination, which results from the spillage of fuel, hazardous materials or other pollutants. Under various environmental statutes, rules and regulations, a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability, whether or not the owner or operator knew of or was responsible for the presence of hazardous materials. A Client may be exposed to substantial risk of loss from environmental claims arising in respect of real estate acquired with environmental problems, and the loss may exceed the value of such investment. In addition, certain investments may be located in earthquake zones or be subject to risks associated with other natural disasters, such as fire, hurricanes, tornadoes, windstorms, volcanic eruptions, tsunamis or floods. Insurance coverage of such risks may be limited, may be subject to large deductibles or may be, or in the future become, completely unavailable, and the Adviser or the Primary Advisers will determine in their

discretion whether to seek insurance coverage of (or to seek alternative ways to manage or mitigate) such risks.

- **Impact of Recessionary Environment on Real Estate Investments**—Investments in real estate may be adversely affected by deteriorations and uncertainty in the financial markets and economic conditions throughout the world. Real estate historically has experienced significant fluctuations and cycles in value and local market conditions which may result in reductions in the value of real property interests. All real estate-related investments are subject to the risk that a general downturn in the national or local economy will depress real estate prices. Recent economic developments have increased, and may continue to increase, the risk associated with investing in real estate investments. Given the volatile nature of the current market disruption and the uncertainties underlying efforts to mitigate or reverse the disruption, the Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment. Such a failure could materially and adversely affect the Clients and their investment objectives or could require Clients to dispose of investments at a loss while such unfavorable market conditions prevail.
- **Mezzanine Debt**—Mezzanine debt is typically subordinated to the obligations of a company to senior creditors, trade creditors and employees. As such, an investment in mezzanine debt is generally riskier than an investment in senior debt. The ability of the Adviser to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. In addition, the subordinated nature of the mezzanine debt may limit the Adviser's rights under and its recovery on the mezzanine loan if the issuer becomes the subject of bankruptcy or insolvency proceedings.
- **Operating and Financial Risks of Portfolio Companies**—One of the fundamental risks associated with a Client's investments may be credit risk, which is the risk that an issuer will be unable to make principal and interest payments when due. Portfolio companies could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, an economic downturn or legal, tax or regulatory changes. Moreover, portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel. As a result, portfolio companies expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. Portfolio companies may be highly leveraged. Leverage may have important consequences to these companies and a Client as an investor. These companies may be subject to restrictive financial and operating covenants. Leverage may impair the ability of these companies to finance their future operations and capital needs. In addition, although a portfolio company may incur leverage, proceeds of this debt may be paid as a dividend to stockholders and not invested in operating or financial assets, or otherwise retained by such portfolio company. As a result, the flexibility in these companies to respond to changing business and economic conditions and to exploit business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. In addition, a portfolio company with a leveraged capital structure will be subject to increased exposure to adverse economic factors, such as a rise in interest rates, a downturn in the economy or deterioration in the condition of that Portfolio Company or its industry. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of a Client's investment in a portfolio company could be significantly reduced or even eliminated. The securities acquired by a Client may be the most junior in a capital structure, and thus subject to the greatest risk of loss.

- **Potential Early Redemption of Investments**—A Client's investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Client earlier than expected. This may happen when there is a decline in interest rates, or when a portfolio company's performance allows the refinancing of mezzanine debt with lower cost debt. Should conditions in the credit market revert to the conditions that existed during 2006-2007, early repayments of the debt held by a Client could increase. To the extent such early prepayments occur, they may have a material adverse effect on a Client's objectives and the profits on capital invested in fixed income securities.
- **Real Estate Industry Risk**—The real estate industry is particularly sensitive to economic downturns; specific market conditions may result in occasional or permanent reductions in property values. The values of securities of companies in the real estate industry may go through cycles of relative under-performance and out-performance in comparison to equity securities markets in general. Additionally there are risks related to general and local economic conditions which may include: possible increased cost of or lack of availability of mortgage financing or insurance, variations in rental income, neighborhood values or the appeal of property to tenants; interest rates; overbuilding; extended vacancies of properties; increases in competition, property and other taxes, assessed values and operating expenses; fluctuations in energy prices; and changes in zoning laws. Clients may be subject to personal injury or property damage or similar claims by private parties in respect of investments, and changes in laws or in the condition of an asset may create liabilities that did not exist at the time of acquisition of an investment and that could not have been foreseen. In addition, investments that may require development are subject to additional risks, including availability and timely receipt of zoning and other regulatory approvals and cost and timely completion of construction (which may be affected by weather, labor conditions or material shortages).
- **Reliance on Company or Property Management**—To the extent the Adviser manages real estate assets of portfolio companies, the Adviser will rely on third parties to provide property management (although the Adviser will provide oversight and supervision). The Adviser may seek to be represented on the board of directors of portfolio companies; however, there is no assurance that this representation, if sought, will be obtained. Furthermore, even in cases where the Adviser may have certain rights to (i) be represented on the board of directors of portfolio companies, and/or (ii) participate in certain significant business decisions and/or other management rights, the Adviser does not have active roles in the day-to-day management of those companies. Accordingly, the success or failure of the portfolio companies will depend to a significant extent on their management.
- **Risks of Investing in Low Rated or Unrated Securities**—Securities that are rated in the lower rating categories by the various credit rating agencies or, more commonly, comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities.
- **Risks of Investing in Real Estate Securities**—Real estate securities may become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail,

among other things, a substantial reduction in the interest rate and a substantial write-down of such loan or asset. However, even if a restructuring were successfully completed, a risk exists that upon the maturity of such real estate security, replacement “takeout” financing will not be available. It may be necessary or desirable to foreclose on some of the collateral securing one or more investments held by a Client. Intercreditor provisions may substantially interfere with a Client’s ability to do so. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure process. In some states, foreclosure actions can take up to several years or more to litigate. At any time during the foreclosure proceedings, the borrower may file bankruptcy, which would have the effect of staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. The amount realized by a Client in any foreclosure action, if any, may be substantially less than the sum of the cost to the Client of the underlying loan plus the expenses incurred by the Client in connection with such foreclosure action. In addition, foreclosure actions by senior lenders may substantially affect the amount that may be received by the Client.

- **Second-Lien Loans**—Investments in second-lien loans entail certain risks, including (i) the subordination of claims to a senior lien in terms of the coverage and recovery of the collateral, (ii) the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder and (iii) the inability to make certain decisions with respect to the obligor pursuant to any intercreditor or similar arrangement with the first-lien lender. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan. The level of risk associated with investments in second-lien loans increases to the extent such investments are loans of distressed or below investment grade companies.
- **Subordination Risk**—Debt investments made by a Client may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such investments may not be protected by financial covenants or limitations upon additional indebtedness.
- **Terrorism Risk**—Terrorist attacks, in particular, may exacerbate some of the general risk factors related to investing in certain strategies, which could adversely affect the profitability of Client investments. For example, if a terrorist attack were to occur in the vicinity of a private real estate investment in which a Client is invested, it could result in a liability far in excess of available insurance coverage. Similarly, prices for certain commodities will be affected by available supply, which will be affected by terrorism in areas in which such commodities are located. The Adviser cannot predict the likelihood of these types of events occurring in the future nor how such events may affect Clients investments.