

Metropolitan Real Estate Equity Management, LLC

November 6, 2013

This brochure provides information about the qualifications and business practices of Metropolitan Real Estate Equity Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (212) 812-4923 or legal@mreem.com. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2. Material Changes

The following summary only discloses material changes made to the brochure since the Adviser's last annual update, which was filed on March 31, 2013:

On November 1, 2013, controlled affiliates of The Carlyle Group L.P. ("Carlyle") acquired 100% of the equity interest in the Adviser.

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Item 4. Advisory Business

Metropolitan Real Estate Equity Management, LLC (the "Adviser") is a privately owned fund manager that focuses on private equity real estate. The Adviser is a registered investment adviser headquartered in New York, New York and with offices in San Francisco, California and Boston, Massachusetts. Metropolitan Real Estate Europe LLP, a wholly-owned subsidiary of the Adviser based out of London, United Kingdom, provides investment services to the Adviser and is authorized under the Financial Services and Markets Act of 2000 in the United Kingdom and in member states of the European Economic Area. In addition, Metropolitan Real Estate Asia Limited, a wholly-owned subsidiary of the Adviser based out of Hong Kong, provides investment research services to the Adviser. The Adviser commenced operations as an investment adviser on July 18, 2002 and has been registered with the SEC since January 6, 2006. The Carlyle Group, L.P., a publicly traded partnership traded on the Nasdaq as ticker CG (the "Public Company") indirectly owns 100% of the equity interests of the Adviser. The Public Company is part of The Carlyle Group ("Carlyle"), one of the largest and most diversified multi-product global alternative asset management firms in the world. Carlyle Group Management L.L.C. is the general partner of the Public Company and may be deemed to indirectly control the Public Company's business for regulatory purposes. Carlyle Group Management L.L.C. is managed by a board of directors which is appointed by Carlyle's founders (William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein) and certain other senior Carlyle professionals.

The Adviser operates as part of the Carlyle Global Solutions business segment ("Global Solutions"), which is headed by Jacques Chappuis, a Carlyle Managing Director. However, Carlyle (outside of the Global Solutions business segment) will observe substantial restrictions on its ability to access investment information and engage in day-to-day participation in the Adviser's investment advisory business. Carlyle professionals that are members of Global Solutions may act as monitors or observers of the Adviser's business, but will not participate in the Adviser's day-to-day investment decision-making. Apart from its relationship with the Global Solutions business, the Adviser generally has an existence independent of Carlyle and primarily carries out its investment operations independently of Carlyle and its affiliated entities. Additional information is also available in current public filings with the SEC for The Carlyle Group L.P. (see www.carlyle.com, go to the "Financial Information" portion of the "Public Investors" page).

For purposes of this brochure, unless otherwise indicated, references to the "Adviser" (or its related entities) do not include references to Carlyle or any of its other affiliated entities.

The Adviser provides investment advisory services on a discretionary basis to its clients, each a commingled investment vehicle (individually, a "Fund"; collectively, the "Funds") intended for financially sophisticated individual and institutional investors. The investment objective of each fund-of-funds is principally focused on value-add and opportunistic private real estate investments in underlying funds or other investment vehicles or structures selected by the Adviser that were formed generally for the purpose of investing directly or indirectly in office, apartment, industrial or other commercial real estate, in real estate-related securities (including debt or mezzanine participations) or in sponsors or managers of real estate investment funds (collectively, the "Underlying Funds").

The Adviser provides advice based on the specific investment objectives and strategies of each Fund. The Adviser may tailor advisory services to the individual needs of each Fund. For instance, the Adviser may provide advisory services to Funds with different investment mandates. As such, the investment guidelines set forth by each Fund may vary with respect to property type, geographic market, manager and strategy (e.g., distressed debt, international investments, etc.).

As of September 30, 2013, the Adviser had approximately \$2.6 billion in capital commitments under management, all of which are managed on a discretionary basis. For the Adviser's Regulatory Assets Under Management, please refer to item 5 in Form ADV Part 1.

Item 5. Fees and Compensation

Each Fund pays the Adviser an asset management fee (the "Management Fee") semi-annually in advance. The Management Fee is generally calculated at the annual rate of 1% of capital commitments until the end of the investment period of the Underlying Funds; thereafter, the basis for the Management Fee switches to active equity. When a new limited partner is admitted to a Fund following the date on which the Fund first admitted limited partners, the new limited partner will be charged a Management Fee retroactive to the initial closing date.

In addition, the general partner of each Fund (each a related person of the Adviser) is entitled to be allocated a carried interest (the "Carried Interest") from the Funds. The Carried Interest is compensation based on a share of the income and gains of the assets in each Fund. The Carried Interest typically ranges between 3% and 5% of distributions after the partners have received a return of their contributed capital plus a preferred return of 9%.

With respect to each of the two Funds focused on distressed real estate-related opportunities primarily in the U.S. (each, a "Distressed Strategy Fund"), the Adviser receives a Management Fee calculated at the annual rate of 0.5% of capital commitments until the end of the investment period of the Underlying Funds; thereafter, the basis for the Management Fee switches to active equity. In addition, the general partner of each Distressed Strategy Fund (a related person of the Adviser) is entitled to be allocated a Carried Interest equal to 10% of a Distressed Strategy Fund's distributions after the partners have received a return of their contributed capital plus a preferred return of 10%.

The Adviser and the general partners of the Funds (each a related person of the Adviser) may waive or reduce the Management Fee and/or the Carried Interest with respect to investors in the Funds that are employees or affiliates of the Adviser, relatives of such persons, and for certain strategic investors. In the event a Fund managed by the Adviser (a "Feeder Fund") invests in any other Fund managed by the Adviser, such Feeder Fund will not be subject to a management fee or carried interest at the Feeder Fund level.

The Adviser deducts the Management Fee from the Funds.

Each Fund pays all costs and expenses relating to the Fund's activities, including, but not limited to, all expenses associated with the acquisition, due diligence, holding, monitoring, and disposition of interests in the Underlying Funds, the legal, auditing, consulting, accounting, and bookkeeping expenses, expenses related to and costs for the preparation of the Fund's financial statements, tax returns, IRS Schedules K-1, all litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, and all other organizational and operational expenses. As noted above, certain Funds are structured as Feeder Funds which will invest in other Funds managed by the Adviser (e.g., Metropolitan Real Estate Partners Global VI, L.P. invests in Metropolitan Real Estate Partners IX, L.P. and Metropolitan Real Estate Partners International V, L.P.). The Feeder Funds bear their pro rata share of the expenses of the Funds in which they are invested.

In addition, each investor in a Fund with a capital commitment of less than \$5,000,000 may be required to pay an administration fee (the "Administration Fee") to the Adviser. The Administration Fee is payable semi-annually in advance and is calculated at the annual rate of 0.35% of capital commitments until the end of the investment period of the Underlying Funds; thereafter, the basis for the Administration Fee switches to active equity. The Adviser and its affiliates may waive or reduce the Administration Fee with respect to investors that are employees or affiliates of the Adviser, relatives of such persons, and for certain strategic investors.

If the advisory contract is terminated, any pre-paid fee will be refunded on a pro-rata basis.

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

The Adviser and its investment personnel provide investment management services to the Funds, which are private pooled investment vehicles designed for multiple clients. A related person of the Adviser (the general partner of each of the Funds) is allocated performance-based compensation by the Funds. In addition, senior members of the Adviser's investment personnel participate in the general partner of each Fund and as a result share in the performance-based compensation received by the general partner of each Fund. Certain Funds may have higher asset-based fees or more favorable performance-based compensation arrangements than other Funds. When the Adviser and its investment personnel manage more than one Fund, a potential conflict exists for one Fund to be favored over another Fund. The Adviser and its investment personnel may have a greater incentive to favor Funds that pay the Adviser (or its related person and, indirectly, their respective portfolio managers) performance-based compensation or higher fees or in which the Adviser or its investment personnel have made significant investments.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple Funds and the allocation of investment opportunities between those Funds with similar investment mandates. For instance, if the Adviser identifies an Underlying Fund that meets the investment criteria of one or more Funds managed by the Adviser whose investment periods are open at the time the Adviser makes such identification, the Adviser will allocate the interests in the Underlying Fund among the Funds in order of the dates of their respective initial closings such that the Fund that had the earliest initial closing date will receive its full allocation before any subsequently-closed Fund receives its allocation.

The Adviser is permitted to advise each Fund to pursue investment opportunities to the extent it determines, in its sole discretion, such investment opportunities are appropriate. The Adviser will evaluate a variety of factors which may be relevant in determining whether a particular investment is appropriate and feasible at a particular time, including the nature of the investment opportunity in the context of the other investment or regulatory limitations on the Fund. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts (i.e., parallel funds) is also regularly compared to determine whether there are any unexplained significant discrepancies. These areas are monitored by the Adviser's Chief Compliance Officer.

In addition, the Funds with concurrent investment periods participate in investment opportunities on a pro rata basis according to the proportions of uncommitted capital allocable by each of those Funds to the strategy represented by the investment, and the determination of the appropriate allocation for such Funds is made in the sole discretion of the Adviser.

Item 7. Types of Clients

The Adviser's clients currently consist solely of private pooled investment vehicles. With respect to any limited partner that subscribes for an interest in a Fund managed by the Adviser, any initial and additional subscription minimums are disclosed in the Fund's offering memorandum.

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

The Funds invest in Underlying Funds that are private real estate funds or other investment vehicles or structures selected by the Adviser that were formed generally for the purpose of investing directly or indirectly in office, apartment, industrial or other commercial real estate, in real estate-related securities (including debt or mezzanine participations) or in sponsors or managers of real estate investment funds. The Adviser is responsible for sourcing, performing due diligence, soliciting, and monitoring Underlying Fund investments for each Fund to which the Adviser provides advisory services. In selecting Underlying Funds, the Adviser will attempt to create a broadly diversified portfolio of value-add and opportunistic Underlying Funds managed by sponsors with superior performance track records. The Adviser looks for sponsors that have a proven track record of adding value at the property level, a clear “sell discipline,” a fiduciary approach to managing investors’ capital, and a well-articulated approach to protecting against possible downside risk.

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser’s investment process combines a “top-down” analysis of real estate market trends with a “bottom-up” approach to understand the strengths and weaknesses of individual managers, funds, markets, and product types.

The Adviser attempts to create a portfolio of Underlying Funds that is diversified by property type, geographic market, manager and strategy. The Adviser endeavors to select Underlying Funds that it believes are likely to accomplish the investment objectives of each Fund. Specifically, the Adviser will select Underlying Funds based on one or more of the following criteria: (i) Underlying Funds operated by a deep and experienced management team with a proven track record in their focus property type(s) and markets; (ii) Underlying Funds with in-house leasing, development, and management capabilities; (iii) Underlying Funds that make value-add investments in existing properties (avoid funds likely to incur significant speculative development risk); (iv) Underlying Funds that drive returns through the selection and management of real estate (avoid funds that use excessive leverage to achieve returns); (v) Underlying Funds with a significant investment by their sponsor and (vi) Underlying Funds with an overall financial structure that aligns the interests of management with those of the investors.

The Adviser’s strategy involves the potential risk of loss of principal. Investors in these types of strategies must be prepared to bear the loss (in part or in whole) of their investment.

The material risks associated with the Adviser’s investment strategies are set forth below:

Reliance on Third-Party Underlying Fund Management. The Funds will invest in Underlying Funds generally managed by parties that are independent of the Adviser and its affiliates and who invest, directly or indirectly, in real estate investments. Although the Adviser will evaluate the performance of each Underlying Fund manager, the past performance of an Underlying Fund manager may not be a reliable indicator of future results. Many underlying managers may not be registered as investment advisers with the SEC, making it more difficult for the Adviser to scrutinize such Underlying Fund managers’ credentials. Further, the Adviser will not have an active role in the day-to-day management of the Underlying Funds in which the Funds invest. Moreover, the Adviser will not have the opportunity to evaluate the specific investments made by any Underlying Fund before they are made, and generally will not be able to dispose of its investment in an Underlying Fund if the Adviser is dissatisfied with such Underlying Fund’s performance. Accordingly, the Funds’ returns will depend on the performance of such unrelated Underlying Fund managers and could be adversely affected by the unfavorable performance of such Underlying Fund managers.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while both the Adviser and/or the Underlying Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and

increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Lack of Diversification. Funds will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, the Funds' portfolios are subject to changes in value due to changes in the market conditions of the real estate market than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments across a wider range of industries.

Leverage. While the Funds generally only employ leverage on a short-term basis (if at all) to bridge capital calls from investors, the Underlying Funds in which the Adviser's Funds invest will generally employ leverage. In such situations, performance may be more volatile.

Risks associated with the types of investments that are primarily made by the Underlying Funds to which the Adviser allocates the Funds' assets are set forth below:

Investments in Real Estate and Real Estate Related Securities. The Funds invest in Underlying Funds that invest in office, apartment, industrial and other commercial real estate properties, as well as in real estate related securities (including debt and mezzanine participations). Accordingly, the investments of the Underlying Funds will be subject to the risks incident to ownership and development of real estate, including risks associated with changes in the general economic climate that create vacancy or put downward pressure on rental rates, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of debt and other financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity), and government regulations.

Further, the real properties underlying the investments of the Underlying Funds will be subject to various U.S. and non-U.S. environmental laws, regulations, and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners are subject to federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. In addition, investments in real estate or interests in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors. Accordingly, there can be no assurance that the manager of an Underlying Fund will be able to dispose of its investments in a timely manner and/or on favorable terms. Furthermore, there can be no assurance that there will be tenants or purchasers for the office or commercial space or residential units ultimately developed.

Asset-Backed Securities and Mortgage-Backed Securities. Asset-backed securities and mortgage-backed securities may be subject to interest rate risk, credit risk associated with the performance of the underlying asset or mortgage property and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral. Mortgage-backed securities are affected by factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these mortgage-backed securities are subject to prepayment risk. Some mortgage-securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

Distressed Securities and Situations. Investments in Underlying Funds that focus on distressed situations and/or invest in unrated or low grade debt securities of distressed assets are subject to significant risks, including, but not limited to: the difficulty in obtaining information as to the issuer's true condition;

regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Also, securities of distressed assets are generally more likely to become worthless than the securities of more financially stable assets. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Non-U.S. Securities and Emerging Markets. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market. Additionally, the risks of such investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries could have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject an Underlying Fund's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Underlying Fund's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for a manager of an Underlying Fund to obtain market quotations based on actual trades for the purpose of valuing the Underlying Fund's portfolio.

REITs. Private REIT structures through which certain Underlying Funds invest in real estate or real estate related securities are subject to changes in tax laws that could impact the net after-tax returns of an investment.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

David G. Nasaw, a co-founder of the Adviser, currently serves as a consultant to the Adviser while also acting in an advisory role at RMA, an asset advisory firm formerly owned by Mr. Nasaw that is engaged in the deployment of real estate investment capital for high net worth families. RMA manages equity and mezzanine investments in property partnerships that focus on a variety of property types and markets. Mr. Nasaw advises RMA solely on those client accounts which he historically originated.

Since Mr. Nasaw's work at RMA may relate to or overlap with the business opportunities of the Adviser (e.g., identifying managers for potential investment), a potential conflict of interest may exist in certain situations where Mr. Nasaw is reviewing investment opportunities for both the Adviser and RMA. In such situations, the Adviser will endeavor to take certain steps and procedures to ensure that each instance is documented in order to demonstrate that the Adviser has relied solely on the relevant merits of the investment opportunity as such relates to a particular Fund. The Adviser has implemented procedures to identify and mitigate the potential conflicts that may arise.

The Adviser has implemented policies to document compliance with such procedures. In addition, the Adviser also documents the original thesis and rationale for making investments in the Underlying Funds so that it is clear that such investments were made in the best interests of the Fund.

The Adviser is also affiliated with Carlyle Investment Management L.L.C. ("CIM"), a Carlyle affiliate. As discussed in Item 4, apart from its relationship with the Global Solutions business, the Adviser generally has an existence independent of Carlyle and primarily carries out its investment operations independently of Carlyle. CIM is separately registered under the Advisers Act as an investment adviser.

In addition, TCG Securities, L.L.C. ("TCG Securities"), an affiliate of CIM and Carlyle, is licensed as a broker-dealer with respect to the offer and sale of interests in affiliated, private investment vehicles (which may include advisory clients of the Adviser). The Adviser may enter into a limited-purpose introductory services agreement with TCG Securities in respect of such services. To the extent that registered representatives of TCG Securities provide any such services to the Adviser thereunder, they will be subject to the policies and procedures of TCG Securities when engaged in securities-related activities in addition to applicable policies and procedures of CIM. TCG Securities does not intend to act as a broker-dealer or agent for transactions effected on behalf of affiliated, private investment vehicles and does not intend to hold funds or securities for, or owe money or securities to, its clients generally. Additionally, Carlyle holds, and may acquire, ownership stakes in one or more other broker-dealers, including TCG Securities. The Adviser may execute trades through such Carlyle-affiliated broker-dealers. The Adviser will execute trades in all cases consistent with its duty to seek best execution.

Carlyle is a global alternative asset management firm with business operations across several business segments. As described above, Carlyle professionals that are members of Global Solutions may act as non-voting observers or monitors of the Adviser. Although the Adviser is a separately-registered investment adviser and primarily carries out its investment operations independently of Carlyle (including CIM and other Carlyle-affiliated investment advisers) as described above, the Adviser's status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed herein.

Because Carlyle has many different asset management and advisory businesses and operates on a global basis, the Adviser may be subject to greater regulatory oversight than it would be absent its relationship with Carlyle. The Adviser and its funds also may be subject to certain legal and other restrictions on their investment activities as a consequence of the Carlyle relationship including, for example, limitations imposed by non-U.S. regulatory authorities, or restrictions on the purchase or sale of, or exercise of voting or other rights with respect to, the debt instruments of a company when a Carlyle advisory client holds the equity of the company and the company is an affiliate of Carlyle.

Carlyle and its directors, members, managers, partners, shareholders, officers, employees, agents and affiliates may conduct any other business, including any business within the securities industry, whether

or not such business competes with the Adviser. Without limiting the generality of the foregoing, Carlyle and its affiliated companies and persons act and will continue to act as general partner, investment adviser or investment manager for others, manage funds, separate accounts or capital for others, have, make and maintain investments in their own name or through other entities and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

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

The Adviser recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All personnel of the Adviser must put the interests of the Adviser's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of the Adviser must also comply with all federal securities laws.

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its personnel to adhere to these principles and to act honestly and fairly in all respects in their dealings with clients. Clients or prospective clients may obtain a copy of the Code by contacting Felipe Dorregaray (Chief Compliance Officer) by email at fdorregaray@mreem.com, or by telephone at (212) 812-4923. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser may invest client assets in one or more Funds managed by the Adviser (each, an "Underlying MREEM Fund"). In such cases, the Adviser charges investment advisory fees at the Underlying MREEM Fund level, and waives investment advisory fees at the Feeder Fund level.

Certain affiliates or employees of the Adviser may invest their personal funds in Underlying Funds that are also recommended by the Adviser to the Funds. The Adviser has established procedures intended to limit conflicts of interest in cases where the Adviser, its related persons or any of their employees, intends to invest in securities recommended by the Adviser to its clients (i.e., intends to invest in Underlying Funds that are also recommended by the Adviser to the Funds).

The Adviser requires its covered persons to preclear all transactions (other than certain exempted transactions as set forth in the Code) in their personal accounts with the Chief Compliance Officer. The Chief Compliance Officer, in determining whether approval should be given, will take into account, among other factors, whether the investment opportunity should be reserved for clients and whether the opportunity is being offered to the covered person by virtue of his or her position with the Adviser. Additionally, personnel who have access to information regarding the Funds' holdings or the Adviser's non-public securities recommendations are required to report their personal securities transactions and holdings to the Adviser, and the Adviser is required to review such reports. All of the Adviser's covered persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis.

The Adviser and its personnel, in the course of its investment management and other activities (e.g., through serving on advisory boards), may come into possession of confidential or material nonpublic information about Underlying Funds, including Underlying Funds in which the Adviser or its personnel have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser has adopted policies and procedures to implement the pay-to-play regulations promulgated by the SEC (its "Pay to Play Policy"). In addition, the Adviser has incorporated into its Pay to Play Policy the substantive provisions of the Public Pension Fund Reform Code of Conduct adopted by Carlyle in relation to its interactions with U.S. public pension funds. Such code of conduct governs interactions with public pension funds in the United States and, among other matters, (a) bans the use of outside placement agents and lobbyists in connection with obtaining investments from such public pension funds, (b) bans certain campaign contributions in the United States and (c) provides for (i) increased disclosure, (ii) strengthened employment, confidentiality and gift policies, and (iii) conflicts of interest procedures as they relate to public pension funds in the United States.

Carlyle maintains a one-way information barrier between Global Solutions (which includes the Adviser), on the one hand, and the other business segments of Carlyle, on the other hand. The Adviser is a wholly-owned subsidiary of Carlyle and operates as part of the Global Solutions segment. The Global Solutions information barrier restricts the flow of non-public, commercially sensitive Global Solutions information from Global Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. Other information is not restricted between the firms. The Global Solutions information barrier operates together with a set of operating procedures designed to maintain investment management independence between the Adviser, operating as a member of Global Solutions, and the other business segments of Carlyle. Consistent with the investment management independence of the Adviser, investment collaboration between the Adviser personnel and other Carlyle personnel is generally subject to restrictions, including that no Carlyle personnel may serve on or participate in any Adviser investment committee (except that Global Solutions personnel may act as non-voting observers or monitors). In addressing the misuse of material nonpublic information, Carlyle and the Adviser maintain a shared restricted trading list for their personnel and advisory clients, except that the Carlyle Global Market Strategies segment maintains a separate restricted trading list for its advisory clients. In addition, as part of Carlyle's Global Solutions business segment, the Adviser is subject to other information barriers established by Carlyle, such as the information barrier between Carlyle's Global Market Strategies business segment, on the one hand, and Carlyle's Corporate Private Equity, Real Assets and Global Solutions business segments, on the other hand.

From time to time, the Adviser may cause an advisory client to hold (to the extent not otherwise prohibited under its investment restrictions) interests in one or more Carlyle funds. Any such investment will be made on arm's-length terms, subject in any case to the information barrier and the confidentiality restrictions arising from particular fund or vehicle agreements. Further, transactions involving the purchase (or sale) of securities by an advisory client from (or to) an affiliate of Carlyle may constitute a cross-trade or a principal transaction in certain circumstances. Accordingly, prior to any potential cross-trade or principal transaction involving an advisory client, the Adviser will determine whether or not the trade would constitute a cross-trade or principal transaction, and if so, that all required notice and consent requirements have been satisfied.

Where otherwise permitted under the specific legal and/or organizational documents of an advisory client of the Adviser, such client may invest in companies or other entities in which Carlyle-affiliated advisory clients (e.g., pooled investment vehicles and managed accounts) have or are concurrently making a separate investment (e.g., an equity investment) and, likewise, Carlyle affiliated advisory clients may invest in companies or other entities in which such advisory clients have an existing investment or are concurrently making an investment. In such situations, advisory clients and such other Carlyle-affiliated advisory clients may have conflicting interests (e.g., over the terms of their respective investments). In a bankruptcy proceeding the Adviser's interests may be subject to enhanced scrutiny, subordinated or otherwise adversely affected by virtue of the involvement and actions.

Item 12. Brokerage Practices

This Item is not applicable.

Item 13. Review of Accounts

The holdings of each Fund generally consist of interests in Underlying Funds that are private equity real estate funds. Such investments generally have long-term lock-ups and are illiquid investments with very limited opportunity for withdrawal or resale on the secondary market; however, if the Adviser did determine to explore selling a position it would do so through the same procedures outlined below regarding making investments. The holdings in each Fund portfolio are monitored by a team of professionals who are members or employees of the Adviser. All investments made by the Funds must be unanimously approved by the Adviser's Investment Committee following due diligence and documentation review and negotiation. In addition, the activity of each Fund and its Underlying Funds are monitored and reviewed periodically during the life of each investment.

Significant market events affecting the prices of one or more securities in each Fund's accounts or the real estate markets in which the Underlying Funds are invested may trigger reviews of Funds' accounts on other than a periodic basis.

Each investor in a Fund receives reports from the Adviser pursuant to the terms of the Fund's offering documents.

Item 14. Client Referrals and Other Compensation

The Adviser has in the past and may in the future enter into solicitation and referral agreements with placement agents or other third party firms which obligate the Adviser to make cash payments to such placement agents or third parties for client referrals. All such agreements are, or with respect to future agreements will be, made in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, to the extent applicable.

Item 15. Custody

This Item is not applicable.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to the Funds. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

The scope of the Adviser's discretion in relation to each Fund is included in each Fund's limited partnership agreement.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) Underlying Funds to which it allocates the Funds' assets and (ii) the amount of such allocation of Funds' assets (subject to restrictions on its activities set forth in the applicable investment management agreement or similar agreement and any written investment guidelines). Because of the differences in Fund investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Funds in allocations made to Underlying Funds. The Adviser may consider the following factors, among others, in allocating the client assets among Underlying Funds: (i) Fund investment objectives and strategies; (ii) Fund risk profiles; (iii) tax status and restrictions placed on a Fund's portfolio by the Fund or by applicable law; (iv) size of the Fund account; (v) strategy and liquidity of the Underlying Funds; (vi) size of available position; (vii) current market conditions; (viii) account liquidity, account requirements for liquidity and timing of cash flows and (ix) any other information determined to be relevant to the fair allocation of securities. Although it is the Adviser's policy to allocate investment opportunities to eligible Funds on a pro rata basis (in the order of the dates of the Funds' respective initial closings and based on the amount of uncommitted capital allocable by the Funds as discussed in Item 6 above), these factors may lead the Adviser to allocate securities to the Funds in varying amounts. Even the Funds that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on the above factors.

Item 17. Voting Client Securities

The SEC adopted Rule 206(4)-6, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because of the nature of the Adviser's current investment strategies, it is highly unlikely that the Adviser would purchase voting equity securities. Nevertheless, in compliance with such rules, the Adviser has adopted proxy voting policies and procedures. The Adviser's general policy is to vote proxy proposals, amendments, consents or resolutions relating to all investments made by the Funds or other accounts in a manner that serves the best interests of the Funds or other accounts advised by the Adviser.

Investors may contact Felipe Dorregaray (Chief Compliance Officer) by email at fdorregaray@mreem.com, or by telephone at (212) 812-4923, to obtain information regarding proxy voting, including the Adviser's policies and procedures.

Item 18. Financial Information

Attached as Exhibit A is the Adviser's balance sheet for the fiscal year ending December 2012, which was prepared in accordance with generally accepted accounting principles.

EXHIBIT A

METROPOLITAN REAL ESTATE EQUITY MANAGEMENT, LLC
Statements of Assets, Liabilities and Members' Equity
December 31, 2012
(Unaudited)

Assets

Cash and restricted cash	\$1,475,599
Loans receivable	855,174
Due from affiliates / related party	676,402
Notes receivable	3,270,000
Other receivables and assets	533,074
Deferred financing costs	16,727
Fixed assets, net of accumulated depreciation of \$200,042	<u>22,227</u>
Total assets	<u>\$6,849,203</u>

Liabilities and Members' Equity

Accrued expenses	\$ 965,797
Deferred asset management fees	3,374,088
Revolving line of credit	1,250,000
Other liabilities	<u>203,485</u>
Total liabilities	5,793,369
Members' Equity	<u>1,055,834</u>
Total liabilities and Members' Equity	<u>\$6,849,203</u>

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