

Item 1 – Cover Page

**Blackstone Real Estate Special Situations
Advisors L.L.C.**

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as of March 31, 2013

Form ADV, Part 2; the “Disclosure Brochure” or “Brochure” provides information about the qualifications and business practices of Blackstone Real Estate Special Situations Advisors L.L.C. (“BRE SSA”).

If you have any questions about the contents of this brochure, please contact us at (212-583-5000). 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. BRE SSA is registered with the SEC as an investment adviser. BRE SSA’s registration as an investment adviser does not imply any level of skill or training.

Additional information about BRE SSA is also available at the SEC’s website www.adviserinfo.sec.gov (click on the link “Investment Adviser Search”, select “Investment Adviser Firm” and type in our firm name “Blackstone”). The search results will provide you with both Parts 1 and 2A of our Form ADV.

Item 2 – Material Changes

This Brochure has been updated to reflect that (i) BREDS / CT Advisors L.L.C., a wholly-owned subsidiary of BRESSA, and Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C., a wholly-owned subsidiary of BRESSA, have been added as “relying advisers” and (ii) BREDS / CT Advisors L.L.C. now manages Capital Trust, Inc., a publicly traded “real estate investment trust,” which is listed on the New York Stock Exchange and trades under the ticker symbol “CT”.

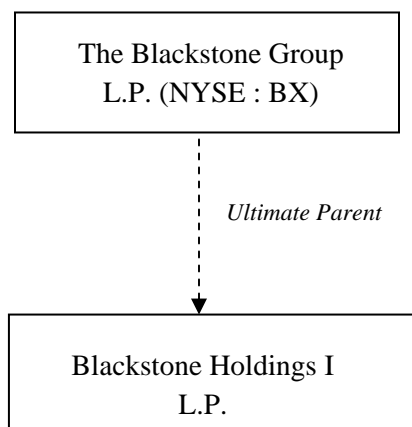
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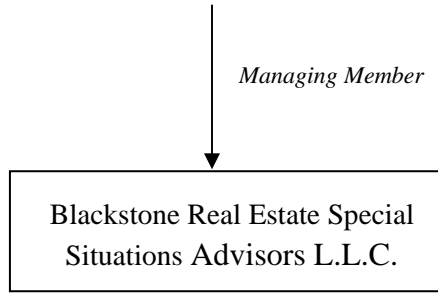
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Item 4 – Advisory Business

Blackstone Real Estate Special Situations Advisors L.L.C. (“BRESSA”) is a Delaware limited liability company. BRESSA provides investment advisory and asset management services to numerous private investment funds (and managed accounts), some styled as hedge funds but a majority styled as private equity / drawdown funds (collectively, the “Funds” and singly, a “Fund”). These Funds are intended to provide investors with attractive risk-adjusted returns through various real estate market cycles by primarily investing, directly or indirectly, in public and/or private debt and, to a lesser extent, in non-controlling equity and other interests, in each case, in or relating to real estate-related investments. A wholly-owned subsidiary of BRESSA, BREDS / CT Advisors L.L.C. (“BREDS CT Advisors”), manages Capital Trust, Inc., a publicly traded “real estate investment trust,” which is listed on the New York Stock Exchange and trades under the ticker symbol “CT”, and its subsidiaries (together, “CT”). CT invests in loans and securities backed by commercial real estate assets. Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C. (“BRESSA Isobel” and together with BREDS CT Advisors, the “BRESSA Relying Advisors”), a wholly-owned subsidiary of BRESSA, manages an investment vehicle that owns a portfolio of loans. BRESSA was formed in December 2007.

The ultimate parent of BRESSA is The Blackstone Group L.P. which is a publicly held company listed on the New York Stock Exchange which trades under the ticker symbol “BX”. Please see structure chart below. The Blackstone Group L.P. (together with its affiliates, “Blackstone”) is one of the leading alternative investment managers in the world with investment programs concentrating in the private equity, real estate, corporate advisory and debt/credit areas, as well as the hedge fund solutions business. The BRESSA Relying Advisors are wholly-owned subsidiaries of BRESSA. The BRESSA Relying Advisors are not separately registering themselves. The BRESSA Relying Advisors shall be included in all references to BRESSA herein. Please see **Item 10 – Other Financial Industry Activities & Affiliations** for more information.





BRESSA's regulatory assets under management ("RAUM") were \$4.448 billion as of December 31, 2012, after giving effect to the inclusion of CT as a client of BREDS CT Advisors, even though BREDS CT Advisors did not become the manager of CT until December 19, 2012.

Description of Advisory Services:

BRESSA serves as investment advisor to certain Funds as set forth in our Advisory Agreements. As investment advisor to these Funds, BRESSA:

1. Identifies and recommends investment opportunities for the Funds
2. Participates in the monitoring and evaluation of the Funds' investments
3. Makes recommendations to the General Partner of each Fund regarding the purchase and/or sale of investments

The individual needs of the investors in the Funds are not the basis of investment decisions by BRESSA. Investment advice is provided directly to the Funds by BRESSA and not individually to the Funds' investors.

Item 5 – Fees and Compensation

Per BRESSA's Advisory Agreements with each of the Funds, BRESSA is entitled to compensation for its services in the form of an annual management fee, payable quarterly in advance, at a rate up to one and one half percent (1.5%) per annum (0.375% per calendar quarter) of the Fund's (i) net asset value, in the case of the funds that are structured as "hedge funds", or (ii) total invested capital, in the case of the Funds that are structured as "private equity" funds, determined and payable as of the first business day of each calendar quarter (the "Management Fee"). In certain cases, the Management Fee in respect of a Fund will be reduced for investments made by an investor in a Fund (or Funds) above a specified dollar amount. Prorated refunds would be provided for partial quarters, if any. The Private Placement Memorandum ("PPM", as supplemented from time to time) and the Partnership Agreement and Advisory Agreement of each Fund includes further details on fees and compensation and related matters.

Per BREDS CT Advisors' management agreement (the "CT Management Agreement") with CT, BREDS CT Advisors is entitled to a management fee in an amount equal to the greater of i) \$250,000 per annum (\$62,500 per quarter); and (ii) 1.50% per annum (0.375% per quarter) of its "equity." The CT Management Agreement includes further details on fees and compensation and related matters. Per the management agreement to which BRESSA Isobel is a party, BRESSA Isobel is entitled to receive management fees per annum payable quarterly based on the aggregate outstanding principal balance of the loans held by the relevant investment vehicle.

Additional Fees and Expenses:

In addition to BRESSA's Management Fee and performance-based allocations (see below), Fund and CT investors will bear indirectly as partnership or company expenses any fees and expenses charged by BRESSA or the General Partners to the Funds or CT (as applicable). Those fees will vary, but typically include professional fees such as legal and accounting fees. Management Fees and performance-based allocations are either deducted from an investor's assets invested with BRESSA at the payment date, withheld from distributions or invoiced at an appropriate time.

Finally, certain investors in the Funds, which are generally related persons, employees and retired partners of BRESSA or the Funds, may not pay management and/or be subject to performance-based allocations in connection with their investment in the Funds.

Notwithstanding, such investors will either directly pay for their pro rata share of certain Fund expenses, or the pro rata amount of such expenses will be allocated to the General Partner, or its affiliates.

BRESSA's advisory fees are not inclusive of all the fees which investors may bear. The following is a list of fees and/or expenses that the Funds may pay directly to third parties. This list is not intended to be exhaustive; prospective and existing investors in the Funds are advised to review the applicable Fund offering materials and organizational agreements for a more extensive description of the fees and expenses associated with an investment in the Funds.

- Legal Fees
- Regulatory Filing Fees
- Administrative Fees
- Technology Expenses
- Accounting Fees
- Taxes
- Audit Fees
- Brokerage Commissions
- Transaction Fees
- Custodial Fees
- Travel and Entertainment

BRESSA may receive from certain Funds, fees in connection with the deployment of capital (e.g., origination fees), which fees are subject to 50% offset as specified in the Advisory Agreements of such Funds.

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

As stated in **Item 5 - Fees and Compensation** above, BRESSA is entitled to performance-based allocations which are allocations based on a share of realized income/capital gains. In the case of Funds structured as hedge funds, a performance-based allocation can be up to 20% of net capital appreciation and subject to loss carryforward provisions. In the case of Funds structured as private equity / drawdown funds, incentive allocations and other performance based payments can be up to 15% of cumulative net profits, taking into account aggregate net losses on writedowns and subject to clawback. Per the CT Management Agreement, BREDS CT Advisors is entitled to a quarterly incentive fee calculated pursuant to the terms of the CT Management Agreement. Performance-based allocations are only made when specific conditions are met, including the return of realized capital and costs and the receipt of a preferred return.

The fact that BRESSA is in part compensated based on the performance of the Funds may create an incentive for BRESSA to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangement. However, we believe the substantial Blackstone firm commitment of more than \$117.4 million, as of December 31, 2012, to the Funds and the clawback features in the Fund documents serve to mitigate that incentive and further align Blackstone's interests with those of the investors. Notwithstanding, BRESSA manages each Fund in accordance with the investment strategy disclosed in the Fund's offering materials to ensure that investors are aware of the investment strategy and the risks associated with the strategy. The PPM of each Fund contains further details regarding risk and strategy.

BRESSA will act in a fair and reasonable manner in allocating suitable investment opportunities among all of the investors. In its allocation of the purchase and sale of investments on behalf of its investors, BRESSA owes its investors the highest duty of loyalty. BRESSA will act primarily for the benefit of its investors and will seek to treat all of its investors fairly and equitably over time. BRESSA and its personnel shall endeavor to ensure that:

- All investors are treated fairly as to the investments purchased or sold for their accounts;
- All investors are treated fairly with the respect to priority of execution of orders;
- All investors are treated fairly in the allocation of investments;
- Investments are allocated on a timely basis;
- Appropriate execution records are maintained; and

- Accurate records of the investor's trades and positions are maintained for two years in BRESSA's offices and in an easily accessible place for three additional years.

As among Funds (and including CT) employing (i) the same investment strategy, typically BRESSA will allocate trades pro rata, based on available capital, and (ii) overlapping or different investment strategies or being subject to different investment guidelines, BRESSA will allocate in a fair and reasonable manner; provided that, in all cases, BRESSA may allocate trades based on the following general criteria that include (but are not limited to):

- Investment guidelines and strategy for a Fund;
- Whether a client/fund already has sufficient exposure to the investments, issuer, sector, industry or markets in question;
- The different liquidity positions and requirements of a Fund;
- Tax considerations;
- Regulatory considerations;
- The relative capitalization, cash availability and "age" of capital of a Fund;
- The relative risk profile of a Fund;
- The particular objectives and strategies of a Fund;
- Portfolio concentration considerations;
- Formal diversification requirements imposed by a Fund's constituent documents;
- The right and ability of a client/fund to borrow either with respect to the particular investment opportunity under consideration or its portfolio in general;
- Different historical and anticipated subscription, commitment, contribution and redemption patterns;
- Minimum investment criteria;
- Investment time horizon;
- The liquidity of the investment opportunity;
- The size and amount of the investment opportunity;

- The ability of a client/fund to employ leverage, hedging, derivatives or other similar strategies in connection with acquiring, holding or disposing of the particular investment opportunity, and any requirements or other terms of any existing leverage facilities;
- Redemption/withdrawal requests from a client/fund and anticipated future contributions into an account;
- When a pro rata allocation could result in de minimis or odd lot allocations; and
- Consideration of any rights or covenants that inure to the benefit of the holder of the investment opportunity.

Item 7 – Types of Clients

BRESSA manages both private equity funds and hedge funds. The Funds' investors consist primarily of:

- Pension and Profit Sharing Plans
- Sovereign Wealth Funds
- Private Corporate Pension Plans
- High Net Worth Individuals
- Trusts
- Charitable Organizations
- Corporations
- Other business entities other than those listed above

All investors in the Funds are subject to applicable suitability requirements. BRESSA and the General Partners require that each investor in the Funds be an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended and a “qualified purchaser” as defined in the U.S. Investment Company Act of 1940, as amended.

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

Investment Strategies:

These Funds are intended to provide investors with attractive risk-adjusted returns through various real estate market cycles by primarily investing, directly or indirectly, in public and/or private debt and, to a lesser extent, in non-controlling equity and other interests, in each case, in or relating to real estate-related investments. The investment thesis emphasizes three core tenets:

- (i) Preservation of capital;
- (ii) Quarterly current income distributions (for “private equity” Funds only), and
- (iii) Attractive total returns with the use of limited leverage.

Likely investment targets include, but are not limited to:

- B-Notes and mezzanine debt
- Interim loans
- Originated or existing loans
- CMBS bonds
- Preferred equity
- Public debt securities

Certain of the Funds limit their investments primarily to pools or tranches of commercial mortgage backed securities (“CMBS”) and related securities and financial instruments.

BRESSA’s investment analysis methods may include fundamental, technical and cyclical research. BRESSA’s investment team is responsible for evaluating securities (and other products) for investment, making asset allocation and security selection on a daily basis for the Funds. BRESSA’s investment professionals also review all portfolios for adherence to the investment objectives of each portfolio and the Fund’s stated investment strategies.

BRESSA will pursue a disciplined investment strategy on behalf of the Funds, with a focus on fundamental research and bottoms-up valuation. In addition, BRESSA leverages the existing expertise of Blackstone’s real estate group to help it focus on similar types of assets that Blackstone’s other real estate funds would pursue, but do not do so because those opportunities fall outside the core investment strategy of those funds. BRESSA generally will evaluate investment decisions without regard to event driven circumstances and will pay special attention to underlying asset-by-asset valuation, downside protection, long-term supply-demand fundamentals and financial sponsorship. For a more detailed summary of certain key aspects of the investment strategy BRESSA will utilize on behalf of each Fund, a description of the types of

investments in which the Funds are expected to invest, and a discussion of risk management procedures, please refer to the Fund's PPM which is available to you by contacting BRESSA at the address or telephone number on the cover page of the Brochure.

With respect to CT, BREDS CT Advisors provides advice to CT on the following structured products:

- Mezzanine Loans.
- B-Notes.
- First Mortgage Loans.
- Commercial Mortgage Backed Securities (CMBS)
- Commercial Real Estate CDOs
- Bank Debt.
- Other/Special Situation Investments.
- REIT/Corporate Securities

The above is only a summary of the principal investment strategies employed by BREDS CT Advisors. The material risks associated with these strategies is set forth below. Please see the SEC filings of CT for a more complete description of each strategy.

Risk of Loss:

An investment in the Funds and/or CT entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of the Funds and bearing the risks such investments represent. Set forth below is a non-exhaustive list of such risks; however, prospective investors are advised to review the applicable Fund offering materials for a more extensive description of the risks of investing in the Funds:

1. No established market for potential investments exists
2. Illiquidity of investments by the Funds
3. Changes in legal, fiscal, and regulatory regimes
4. Nature of equity or equity-related investments
5. Nature of mezzanine investments
6. Nature of venture capital investments
7. Non-U.S. Investments
8. Dependence on BRESSA's key personnel
9. Portfolio concentration
10. Investment environment and market risk
11. Market volatility risks
12. Highly competitive nature of real estate investment business.
13. Lender liability risks, including equitable subordination
14. Due diligence may not reveal all factors affecting an investment and may not reveal weaknesses in underlying loans securing such investments

- 15. Counterparty risks due to derivative contracts
- 16. Leverage risk
- 17. Interest rate and hedging risk
- 18. Risk associated with subordinated debt
- 19. Risks specific to construction lending activities

Stock markets, bond markets and real estate markets fluctuate substantially over time. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets BRESSA manages that may be out of its control. BRESSA cannot guarantee any level of performance or that investors in the Funds will not experience a loss of their account assets. There is no assurance that the Funds will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of the Funds. The expenses of the Funds may exceed their income, and an investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund if the investor can withstand a total loss of its investment. The past investment performance of the Funds cannot be taken to guarantee future results of the Funds or any investment in the Funds.

Item 9 – Disciplinary Information

BRESSA does not have any legal, financial or other “disciplinary” item to report. As a registered investment advisor, BRESSA is obligated to disclose any disciplinary event that would be material to the investor when evaluating a client/advisor relationship.

On occasion, in the ordinary course of its business, Blackstone is named as a defendant in a lawsuit or arbitration. BRESSA does not believe that any current litigation to which Blackstone is a party will have a material adverse effect on BRESSA and/or the Funds. BRESSA and its employees are not currently the subject of any litigation.

Item 10 – Other Financial Industry Activities and Affiliations

Other Financial Industry Activities

Various potential and actual conflicts of interest may arise from the overall investment activities of BRESSA and its affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. Any references to Blackstone and BRESSA in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors and employees. Any references to Funds in this section will be deemed to include references to CT, where applicable.

Blackstone Policies and Procedures. Specified policies and procedures implemented by Blackstone to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the synergies across Blackstone's various businesses that BRESSA and the Funds expects to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different asset management and advisory businesses, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and subject to more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (*e.g.*, information walls) that may reduce the positive synergies that the Funds expect to utilize for purposes of finding attractive investments. For example, Blackstone may come into possession of material non-public information with respect to companies in which its real estate business may be considering making an investment or companies that are Blackstone private equity portfolio companies or advisory clients. As a consequence, that information, which could be of benefit to the Funds, might become restricted to those respective businesses and otherwise be unavailable to the Funds. To the extent that the Blackstone real estate group is in possession of material, non-public information or otherwise is restricted from trading in certain securities, BRESSA and the Funds, as part of the Blackstone real estate group, will as a general matter also be deemed to be in possession of such information or otherwise restricted. This could reduce the investment opportunities available to the Funds.

Investment Banking, Advisory and Other Relationships. As part of its regular business, Blackstone provides a broad range of investment banking, advisory, underwriting, placement agent services and other services. In addition, Blackstone and its affiliates may provide services in the future beyond those currently provided. Funds will not receive a benefit from such fees. In the regular course of its investment banking and advisory businesses, Blackstone represents potential purchasers, sellers and other parties, including corporations, financial buyers, management, shareholders and institutions, with respect to transactions that could give rise to transactions that are suitable for a Fund. In such a case, an advisory client would typically require Blackstone to act exclusively on its behalf, thereby precluding a Fund from participating in such transactions. Blackstone will be under no obligation to decline any such engagements in

order to make an investment opportunity available to a Fund. In connection with its investment banking, advisory and other businesses, Blackstone may come into possession of information that limits its and its affiliates' ability to engage in potential transactions. The Funds' activities may be constrained as a result of the inability of Blackstone personnel to use such information. For example, employees of Blackstone may be prohibited by law or contract from sharing information with members of the Funds' investment teams. Additionally, there may be circumstances in which one or more of certain individuals associated with Blackstone will be precluded from providing services related to the Funds' activities because of certain confidential information available to those individuals or to other parts of Blackstone. In certain sell-side and fundraising assignments, the seller may permit a Fund to act as a participant in such transactions, which would raise certain conflicts of interest inherent in such a situation (including as to the negotiation of the purchase price).

Blackstone has long-term relationships with a significant number of corporations and their senior management. In determining whether to invest in a particular transaction on behalf of a Fund, BRESSA will consider those relationships, which may result in certain transactions that BRESSA will not undertake on behalf of the Fund in view of such relationships. Certain Funds may also co-invest with clients of Blackstone in particular investment opportunities, and the relationship with such clients could influence the decisions made by BRESSA with respect to such investments.

Blackstone may from time to time participate in underwriting or lending syndicates with respect to portfolio companies of a Fund, or may otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, a Fund's portfolio companies, or otherwise in arranging financing (including loans) for portfolio companies. Such underwritings may be on a firm commitment basis or may be on an uncommitted "best efforts" basis. A Blackstone broker-dealer may act as the managing underwriter or a member of the underwriting syndicate and purchase securities from a Fund or such Portfolio Companies. Blackstone may also, on behalf of a Fund or other parties to a transaction involving a Fund, effect transactions, including transactions in the secondary markets where it may nonetheless have a potential conflict of interest regarding a Fund and the other parties to those transactions to the extent it receives commissions or other compensation from a Fund and such other parties. Subject to applicable law, Blackstone may receive underwriting fees, discounts, placement commissions, lending arrangement and syndication fees or other compensation with respect to the foregoing activities, which are not required to be shared with the Funds or BRESSA. In addition, the Management Fee paid by the Funds generally will not be reduced by such amounts. Blackstone may nonetheless have a potential conflict of interest regarding Funds and the other parties to those transactions to the extent it receives commissions, discounts or such other compensation from such other parties. BRESSA will approve any transactions in which a Blackstone broker-dealer acts as an underwriter, as broker for a Fund, or

as dealer, broker or advisor, on the other side of a transaction with a Fund only where BRESSA believes in good faith that such transactions are appropriate for a Fund.

Where Blackstone serves as underwriter with respect to a portfolio company's securities, Funds may be subject to a "lock-up" period following the offering under applicable regulations during which time its ability to sell any securities that it continues to hold is restricted. This may prejudice the Funds' ability to dispose of such securities at an opportune time.

The Funds may invest in securities of the same issuers as other investment vehicles, accounts and clients of Blackstone and BRESSA. To the extent that the Funds hold interests that are different (including with respect to their relative seniority) than those held by such other vehicles, accounts and clients, BRESSA may be presented with decisions involving circumstances where the interests of such vehicles, accounts and clients are in conflict with those of the Funds. Furthermore, it is possible the Funds' interests may be subordinated or otherwise adversely affected by virtue of the other vehicle's, account's or client's involvement and actions relating to its investment. To the extent that a Blackstone portfolio company comprises a material part of the pool or tranche of CMBS in which a Fund could invest, the Fund, as a result of such relationship, may be deemed to be in possession of material non-public information and be precluded from trading on that basis.

In addition, Blackstone may represent creditors or debtors in connection with out of court debt restructurings or workouts and with proceedings under Chapter 11 of the U.S. Bankruptcy Code. Blackstone also may serve as advisor to creditor or equity committees established pursuant to such proceedings. This involvement, for which Blackstone may be compensated, may limit or preclude the flexibility that the Funds may otherwise have to participate in or retain certain investments.

Other Blackstone Funds; Allocation of Investment Opportunities.

To the extent there are investment opportunities that fall within the common investment objectives of the Funds and such Other Blackstone Funds, such opportunities will be allocated among the Funds and such Other Blackstone Funds on a basis that Blackstone and BRESSA determine to be fair and reasonable, in a manner consistent with their fiduciary obligations to its clients, taking into account contractual obligations, portfolio diversification concerns, the specific nature of the investment, the source of the investment opportunity, the nature of the investment focus of each investment fund, the relative amounts of capital available for investment in each fund and other considerations deemed relevant by Blackstone and BRESSA, each subject to any applicable investment limitations of the Funds and such Other Blackstone Funds. As a result, in certain circumstances investment opportunities suitable for the Funds may not be presented (in whole or in part) to the Funds. In addition, there can be no assurance that the return on the Funds' investments will be equivalent to or better than the returns obtained by the Other Blackstone Funds participating in the same transactions.

The Funds may co-invest with an Other Blackstone Fund in investments that are suitable for both the Funds and such Other Blackstone Fund.

Blackstone Real Estate Debt Strategies II L.P. - Other Blackstone Funds; Allocation of Investment Opportunities. To the extent any Other Blackstone Funds or CT Investment Management Co., LLC, a registered investment advisor which advises various CT funds (“CTIMCO”), otherwise have investment objectives or guidelines that overlap with those of Blackstone Real Estate Debt Strategies II L.P., the most recent BRESSA drawdown style fund (“BREDS II”), in whole or in part, investment opportunities that fall within such common objectives or guidelines will generally be allocated among one or more of BREDS II and such Other Blackstone Funds or CTIMCO on a basis that the General Partner determines to be “fair and reasonable” in its sole discretion, subject to (i) any applicable investment limitations of BREDS II and such Other Blackstone Funds or CTIMCO, (ii) BREDS II and such Other Blackstone Funds or CTIMCO having available capital with respect thereto, and (iii) legal, tax, accounting, regulatory and other considerations deemed relevant by the General Partner (including, without limitation, the specific nature and type of the investment and the relative investment strategies of BREDS II and such Other Blackstone Funds or CTIMCO, portfolio diversification concerns, contractual obligations, relative amounts of capital available for investment, the source of the investment and the anticipated tax treatment of the investment). In addition, BREDS II regularly invests in real estate related debt investments alongside certain Other Blackstone Funds and other vehicles focusing on real estate related debt investments (i.e., CTIMCO). In that regard, while the primary investment strategies of BREDS II and CTIMCO are materially different in that BREDS II will generally seek to invest primarily in junior mortgage debt (e.g., B-Notes) and mezzanine debt whereas CTIMCO will generally seek to invest primarily in senior mortgage loans and other similar interests, a significant portion of the capital of CTIMCO may nonetheless be invested in investments that would also be appropriate for BREDS II. As a result of all of the foregoing, in certain circumstances, a significant portion of the investment opportunities that would otherwise be available to BREDS II may be allocated, to CTIMCO and/or Other Blackstone Funds.

Other Real Estate Funds. Blackstone reserves the right to raise additional real estate investment funds or managed accounts (“Other Real Estate Funds”). The closing of an Other Real Estate Fund could result in the reallocation of Blackstone personnel, including reallocation of existing real estate professionals, to such Other Real Estate Fund. In addition, potential investments that may be suitable for the Funds may be directed (in whole or in part) toward such Other Real Estate Funds.

Allocation of Personnel. BRESSA and its affiliates will devote such time as shall be necessary to conduct the business affairs of the Funds in an appropriate manner. However, Blackstone personnel will work on other projects and, therefore, conflicts may arise in the allocation of personnel. In this regard, however, a core group of Blackstone professionals will devote substantially all of their business time to the business related to BRESSA and the Funds.

Activities of Principals and Employees. Certain of the principals and employees of BRESSA may be subject to a variety of conflicts of interest relating to their responsibilities to the Funds and the management of the Funds’ investment portfolio. Such individuals may serve in an

advisory capacity to other managed accounts or investment vehicles and as members of an investment or advisory committee or board of directors (or similar such capacity) for one or more investment funds, corporations, foundations or other organizations. Such positions may create a conflict between the services and advice provided to such entities and the responsibilities owed to the Funds. Furthermore, certain principals and employees of BRESSA may have a greater financial interest in the performance of such other funds or accounts than the performance of the Funds. Such involvement may create conflicts of interest in making investments on behalf of the Funds and such other funds and accounts. Such principals and employees will seek to limit any such conflicts in a manner that is in accordance with their fiduciary duties to the Funds and such organizations.

Service Providers and Financial Institutions as Investors. The Funds' brokers and other service providers also may be investors in the Funds. This may influence BRESSA in deciding whether to utilize the services of such brokers or other service providers or to pay such brokers or other service providers, higher fees or commissions, out of the Funds' assets, in return for such brokers or service providers' willingness to invest in the Funds, which could result in additional fees for BRESSA. Similarly, from time to time, Blackstone personnel may speak at conferences and programs which are sponsored by the Funds' prime brokers, for potential investors interested in investing in funds. Through such capital introduction events, prospective investors in the Funds have the opportunity to meet with BRESSA. Neither BRESSA nor the Funds will compensate the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence BRESSA in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Funds.

In addition, investment banks or other financial institutions, as well as Blackstone employees, may also be investors in the Funds. These institutions and employees are a potential source of information and ideas that could benefit the Funds. BRESSA has procedures in place designed to prevent the inappropriate use of such information by the Funds.

Trading by Blackstone Personnel. The officers, directors, members, managers and employees of BRESSA may trade in securities for their own accounts, including, without limitation, hedge funds or other investment vehicles that may be potential competitors of the Funds, subject to restrictions and reporting requirements as may be required by law and Blackstone policies. Personnel in the various Real Estate Investment Advisors are not allowed to trade real estate related securities. The Blackstone Legal and Compliance Department will determine the definition of real estate securities. This restriction does not apply to managed accounts.

Diverse Investor Group. The investors in the Funds may have conflicting investment, tax and other interests with respect to their investments in the Funds. As a consequence, conflicts of

interest may arise in connection with decisions made by BRESSA, including with respect to the nature or structuring of investments, which may be more beneficial for one investor than for another investor. In selecting and structuring investments appropriate for the Funds, BRESSA will consider the investment and tax objectives of the Funds and its investors as a whole, not the investment, tax or other objectives of any investor individually.

However, BRESSA may enter into “side letters” with investors in the Funds, which allow for certain additional rights in the event of tax, regulatory or legal circumstances applicable to such investors, but not relating to Fund specific fees

Other Financial Industry Affiliations

BRESSA is an affiliate of the following entities:

Broker/Dealer	
Blackstone Advisory Partners L.P.	Provides a variety of investment banking services
Park Hill Group LLC	Places alternative investment products in private offerings to mostly institutional investors
Park Hill Real Estate Group LLC	Places real estate alternative investment products in private offerings to mostly institutional investors
Investment Advisor	
Blackstone Alternative Asset Management L.P.(“BAAM”)	Manages a series of private funds engaged in multi-manager investment programs (<i>i.e.</i> , fund of hedge funds)
Blackstone Communications Advisors I L.L.C.	Provides investment advisory services to a private investment fund specializing in communications-related private equity investments
Blackstone Debt Advisors L.P.	Provides investment advisory services to private investment funds specializing in debt securities
Blackstone Management Partners III L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Management Partners IV L.L.C.	Provides investment advisory services to various private equity funds

Blackstone Management Partners L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Clean Technology Advisors L.L.C.	Provides investment advisory services to private investment funds specializing in the cleantech energy sector
Blackstone Mezzanine Advisors II L.P.	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Mezzanine Advisors L.P.	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Real Estate Advisors III L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors IV L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors V L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors International L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors Europe L.P.	Provides investment advisory services to various real estate investment funds
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
GSO/Blackstone Debt Funds Management LLC	Provides investment advisory services to a number of debt-focused private investment funds, closed-end funds and separately managed accounts
GSO Capital Advisors LLC	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
GSO Capital Partners LP	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts

Bayview Asset Management, LLC	Provides investment advisory services focusing on real estate backed loans and mortgage securities
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Tactical Opportunities Advisors L.L.C	Provides investment advisory services to multi-discipline, multi-asset class private funds
CT Investment Management Co., LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets.
GSO Capital Partners International LLP	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
GSO Capital Advisors II LLC	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
Blackstone / GSO Debt Funds Europe Limited	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
Blackstone / GSO Debt Funds Management Europe Limited	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C.	Provides investment advisory services to private investment funds and accounts which invest primarily in public and private debt and other interests of real estate assets and real estate-related holdings
BREDS/CT Advisors L.L.C.	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT High Grade Mezzanine Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT High Grade Partners II Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT Large Loan Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets

CT OPI Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
The Blackstone Group International Partners LLP	U.K. investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group (HK) Limited	Hong Kong investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group Japan K.K.	Japanese investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group (Australia) Pty Limited	Australian investment advisory firm, which serves as a sub-advisor to the registrant
Blackstone (Shanghai) Equity Investments Management Co. Ltd.	Shanghai investment advisory firm, which serves as a sub-advisor to the registrant
Blackstone (Shanghai) Equity Investments Management Co. Ltd. - Beijing Representative Office	Shanghai investment advisory firm, which serves as a sub-advisor to the registrant
Commodity Trading Advisor & Commodity Pool Operator	
Blackstone Alternative Asset Management L.P.	Manages a series of private funds engaged in multi-manager investment programs (i.e., funds of hedge funds)
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Commodity Pool Operator	
Blackstone Alternative Asset Management Associates L.L.C.	Serves as general partner of BAAM Funds which are structured as limited partnerships

Note: The registrant manages a number of private investments vehicles which are listed in the registrant's ADV Part 1, Schedule D, Section 7.B (1).

Blackstone Advisory Partners L.P. ("BAP") provides various financial and business advisory services. In the regular course of its advisory businesses, BAP represents possible buyers, sellers and other parties regarding businesses that may be suitable for investment by BRESSA funds. In these cases, BAP's client typically would require Blackstone to act only on BAP's client's behalf, thus preventing BRESSA from directly acquiring or investing in such business. BAP will not decline these transactions in order to make the investment opportunity available to the BRESSA investors.

In connection with their advisory businesses, one or more of the BRESSA affiliates listed above may acquire information that restricts Blackstone's ability to engage in certain transactions. BRESSA's fund's activities may be limited because of such restrictions.

BAP may represent creditors or debtors in restructuring or bankruptcy proceedings, under Chapter 11 of the Bankruptcy Code. BAP also may serve as advisor to creditor or equity committees. Such engagements may prevent BRESSA from participating in such restructuring or holding a position in the debtor or may force BRESSA to dispose of such position. Additionally, BAP, Park Hill Group LLC, and Park Hill Real Estate Group LLC are registered broker dealers. They do not make markets in any securities and generally do not hold proprietary positions in securities or other investments.

Various management personnel are registered with our broker-dealer, BAP. We do not believe this registration, in and of itself, creates a conflict for our investors.

A more detailed description of applicable conflicts of interest is set forth in the Private Placement Memorandum of each Fund.

Item 11 – Code of Ethics

BRESSA recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its investors; (ii) its long-term business interests are best served by adherence to the principle that the interests of investors come first; and (iii) it has a fiduciary duty to its investors to act in or not opposed to the best interests of the Funds and/or CT. All BRESSA personnel are required to act in accordance with the implied contractual covenants of good faith and fair dealing in respect of their dealings with investors. All BRESSA personnel must also comply with all federal securities laws.

BRESSA's Code of Ethics (the "Code") governs a number of potential conflicts of interest which exist when providing advisory services to the investors in the Funds it manages. This Code is designed to ensure that BRESSA meets its fiduciary obligation to BRESSA's investors (or prospective investors) and to instill a culture of compliance within BRESSA. An additional benefit of the Code is to detect and prevent violations of securities laws.

The Code is distributed to each employee at the time of hire and annually thereafter, and it is available on Blackstone's intranet website. BRESSA also supplements the Code with ongoing monitoring of employee activity.

The Code includes the following:

- Requirements related to confidentiality;
- Limitations on, and reporting of, gifts and entertainment;
- Pre-clearance of political contributions;
- Pre-clearance and reporting of employee personal securities transactions;
- Pre-clearance of outside business activities; and
- Protection of persons who engage in "whistle blowing" activities from retaliation.

On an annual basis, Blackstone requires all employees to certify that they are in compliance with the Code.

Blackstone offers many different products and services across its many businesses and there are several potential conflicts of interest which may arise. Please see **Item 10 – Other Financial Industry Activities & Affiliations** for a list of investment related potential conflicts.

BRESSA's related persons may from time to time have bought or sold, or may subsequently buy or sell, for their personal accounts, securities which may also be purchased or sold for the account of our clients. BRESSA and its related personnel are subject to guidelines governing the ability to trade in our personal accounts. The guidelines generally require that such trading be conducted for investment rather than speculative purposes and that all such personal securities transactions receive pre-clearance from the Blackstone Legal and Compliance Department. These policies are designed to comply with SEC requirements that registered investment advisors have a Code of Ethics. BRESSA's Code is available for review upon request.

You may request a copy of BRESSA's Code by contacting BRESSA's Chief Compliance Officer, Judy Turchin; 212-583-5748; judy.turchin@blackstone.com.

Item 12 – Brokerage Practices

Citigroup Global Markets Inc. (“Citi”) serve as custodian and prime broker for the Funds. Citi clears the Funds’ securities transactions that are effected through other brokerage firms. The Funds may engage other or additional custodians, prime brokers and executing brokers at any time. Any references to Funds in this section will be deemed to include references to CT, where applicable.

Portfolio transactions for the Funds are allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions and any research or investment management-related services provided by such brokers that BRESSA believes to be of benefit to the Funds.

The Funds’ securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Funds, not BRESSA or any of its affiliates, will be obligated to pay. BRESSA has complete discretion in deciding what brokers and dealers the Funds will use and in negotiating the rates of compensation the Funds will pay. In addition to using brokers as “agents” and paying commissions, the Funds may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns.

BRESSA has established a Brokerage Committee that will meet on a regular basis and review the performance of its execution counterparties and the commissions charged to the Funds.

Trade errors are evaluated on a case-by-case basis. If BRESSA determines that BRESSA’s gross negligence, willful misconduct or fraud was the direct cause of a trade error, BRESSA generally will compensate a Fund/investor for any losses resulting from such trade error. Where a third party’s negligence or wrongdoing causes a trading error that results in a material loss to a client, BRESSA will attempt to recover the amount of the loss from the third party for the client, but BRESSA does not assume responsibility for compensating the client, or making the third party compensate the client, in such cases.

BRESSA may combine purchase or sale orders on behalf of the Funds with orders for other accounts to which BRESSA or any of its affiliates may provide investment services and allocate the securities or other assets so purchased or sold on an average price basis, or by any other method of equitable allocation, among such accounts.

Research and Other Soft Dollar Benefits:

Research (proprietary or otherwise) or investment-related services provided by brokers through which portfolio transactions for the Funds are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services. BRESSA may use “soft dollars” generated by the Funds to pay for certain research and non-research related services and products used by BRESSA within the safe harbor afforded by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. However, BRESSA does not currently have any “soft dollar” arrangements.

BRESSA does not select nor recommend broker-dealers based on investor referrals nor does BRESSA participate in directed brokerage practices.

BRESSA does not participate in principal trading generally, however, BRESSA would be permitted to if BRESSA obtained appropriate investor approvals.

Item 13 – Review of Accounts

Review of Accounts

Currently, the only accounts under the supervision of BRESSA are the Funds' accounts and those of CT. The Funds' accounts and investment positions are monitored by BRESSA personnel on a regular and current basis. BRESSA's Investment Committee meets as necessary to review investment opportunities, market conditions, potential conflicts, and recent trading activities. The Investment Committee consists of approximately 10 persons, all of whom are Senior Managing Directors or Founding Members of our real estate business. The Funds' Administrator (Citco Fund Services (Cayman Islands) Limited), will review and reconcile the Funds' accounts on a monthly basis, and will produce the final capital/shareholder statements, subject to review and approval by BRESSA. We also may periodically review on an expedited basis the assets of the Fund and CT following a unique occurrence in the financial industry or market generally.

Reports to Clients

Investors in certain Funds generally receive monthly reports which will include Fund performance statistics. Investors in the Funds also receive quarterly reports on the Funds and annual audited financial statements for the Fund in which they are invested.

Investors in CT are able to obtain quarterly reports and annual audited financial statements for CT through the SEC's Edgar database or from the investor relations portion of CT's website (www.capitaltrust.com).

Certain investors in the Funds may request information relating to the Funds and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, BRESSA generally will provide such investors with the information requested. Investors that request and receive such information will consequently possess information regarding the business and affairs of the Funds that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

Item 14 – Client Referrals and Other Compensation

Typically, placement agents will receive a portion of the management fee and/or performance allocation paid to BRESSA (although other payment arrangements could exist). A prospective investor solicited by a placement agent will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be ultimately paid/borne by a corresponding reduction in the management fee by BRESSA and none of the investors in the Funds will be subject to any increased or additional fees or charges. Placement agents in the U.S. will be registered as broker-dealers with the SEC. Placement agents outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

BRESSA has a placement arrangement with Park Hill Real Estate Group LLC, an affiliate of BRESSA. Blackstone Advisory Partners L.P., an affiliate of BRESSA, serves as a placement agent for the BRESSA Funds in the U.S. but is not compensated for such services. BRESSA has distribution/placement arrangements with a number of other unaffiliated third parties.

CT may impose sales charges to compensate unaffiliated broker-dealers who assist in obtaining capital. The sales charge may be payable by investors in CT, CT itself, BREDS CT Advisors, or a combination thereof.

Item 15 – Custody

Rule 206(4)-2 of the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them. BRESSA Funds structured as U.S. entities generally have a BRESSA affiliate acting as general partner and, as such, BRESSA is deemed to have custody of the Funds' assets. For the BRESSA Funds structured as non-U.S. entities, BRESSA also is typically deemed to have custody of the Funds' assets. Although BRESSA does not serve as the general partner or managing member of the non-U.S. Funds, does not constitute a majority of the non-U.S. Fund's Board of Directors, and does not hold voting shares in the Fund, BRESSA has access to Fund assets for trading purposes and to pay expenses. BRESSA generally complies with the Advisers Act custody rules by providing all investors in a BRESSA Fund with audited financial statements within 120 days of the Fund's fiscal year end.

BRESSA's clients' assets are typically held in brokerage accounts in the name of the BRESSA client.

Item 16 – Investment Discretion

BRESSA maintains the authority to manage the Funds and CT on a discretionary basis, subject to the overall supervision of the applicable General Partner or board of directors (as applicable), in accordance with the investment guidelines, limitations, other provisions and terms set forth in the Funds' Limited Partnership Agreements and CT's charter.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

Proxy Policy

Rule 206(4)-6 under the Advisers Act (the “Rule”) requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because BRESSA may be deemed to have authority to vote proxies relating to the companies in which its clients invest, BRESSA has adopted a set of policies and procedures (together, the “Policy”) in compliance with the Rule. To the extent that BRESSA exercises or is deemed to be exercising voting authority over its clients’ securities, the Policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, “proxies”) is exercised in a manner that serves the best interest of the clients, as determined by BRESSA in its sole discretion.

From time to time, conflicts may arise between the interests of the investor, on the one hand, and the interests of BRESSA or its affiliates, on the other hand. If BRESSA determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, BRESSA will address matters involving such conflicts of interest on a case-by-case basis in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. BRESSA, in its sole discretion, may elect not to vote a proxy if unduly burdensome.

Investors may request a copy of the Policy and the voting records relating to proxies as provided by the Rule by contacting BRESSA’s Chief Compliance Officer, Judy Turchin; 212-583-5748; judy.turchin@blackstone.com.

Item 18 – Financial Information

BRESSA has never filed for bankruptcy and is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitment to its investors.