

# GERDING EDLEN INVESTMENT MANAGEMENT, LLC

## Client Brochure

March 26, 2013

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Portland, OR 97209  
[www.gerdingedlen.com](http://www.gerdingedlen.com)

This Brochure provides information about the qualifications and business practice of Gerding Edlen Investment Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 503-299-6000 or **[neil.riordan@gerdingedlen.com](mailto:neil.riordan@gerdingedlen.com)**.

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

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

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

## Item 2: Material Changes

The material changes incorporated herein since Gerding Edlen Investment Management's last posting of this document on December 14, 2012 include the following:

- **Assets Under Management:** Assets under management are updated as of the end of the most recent Quarter, December 30, 2012. See Item 4.E on page 3.

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

You may request a copy of our Firm Brochure by contacting **Neil Riordan or Roger Krage at 503-299-6000** or by e-mailing **neil.riordan@gerdinedlen.com**. This Brochure has been compiled to satisfy a regulatory requirement and is not an attempt to advertise.

### Item 3: Table of Contents

ITEM 1:	COVER PAGE .....	i
ITEM 2:	MATERIAL CHANGES .....	ii
ITEM 3:	TABLE OF CONTENTS .....	iii
ITEM 4:	ADVISORY BUSINESS.....	1
A.	Description of the Firm.....	1
B.	Types of Advisory Services.....	1
C.	Client Tailored Services and Client Tailored Restrictions.....	2
D.	Wrap Programs.....	3
E.	Assets Under Management.....	3
ITEM 5:	FEES AND COMPENSATION .....	4
A.	Fee Schedule.....	4
B.	Payment Method .....	5
C.	Other Fees and Expenses .....	5
D.	Prepayment of Fees and Refunds .....	5
E.	Sales Compensation .....	6
ITEM 6:	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7:	TYPES OF CLIENTS .....	8
ITEM 8:	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ....	9
A.	Methods of Analysis .....	9
B.	Investment Strategies.....	9
C.	Material Risks .....	10
ITEM 9:	DISCIPLINARY INFORMATION .....	17
ITEM 10:	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	18
A.	Registration as a Broker-Dealer or Registered Representative.....	18
B.	Registration as a Futures Commission Merchant, Commodity Pool Operation, Commodity Trading Advisor or Associated Person .....	18
C.	Material Relationships .....	18
D.	Selection of Other Investment Advisers.....	19
ITEM 11:	CODE OF ETHICS .....	20
A.	Code of Ethics .....	20

B.	Recommendations Involving Material Financial Interests .....	20
C.	Personal Trading.....	21
D.	Concurrent Trading.....	21
E.	Other Conflicts of Interest.....	22
ITEM 12:	BROKERAGE PRACTICES .....	24
A.	Criteria for Selection of Broker-Dealers.....	24
B.	Aggregation of Orders/Allocation of Trades.....	24
ITEM 13:	REVIEW OF ACCOUNTS .....	24
A.	Periodic Reviews .....	24
B.	Non-Periodic Reviews .....	25
C.	Client Reports .....	25
ITEM 14:	CLIENT REFERRALS AND OTHER COMPENSATION .....	26
A.	Compensation by Non-Clients.....	26
B.	Compensation for Client Referrals .....	26
ITEM 15:	CUSTODY .....	27
ITEM 16:	INVESTMENT DISCRETION.....	28
ITEM 17:	VOTING CLIENT SECURITIES .....	29
ITEM 18:	FINANCIAL INFORMATION.....	30
A.	Prepayment of Fees (Six or more months in advance) .....	22
B.	Impairment of Contractual Commitments .....	30
C.	Bankruptcy Petitions .....	30

## Item 4: Advisory Business

### A. Description of the Firm

Gerding Edlen Investment Management, LLC (“we” or “us” or “our” or “GEIM”) was established in March 2012 and acquired the investment advisory business of GEDI, Inc., a registered investment adviser (“GEDI”) on November 20, 2012. Accordingly, we are the successor-in-interest to GEDI’s investment advisory business. We are owned by our managing members, Kelly Saito and Molly Bordonaro, and by GEDI, Inc.. GEDI is controlled and principally owned by Mark Edlen (the Chief Executive Officer), Kelly Saito (the President), Roger Krage (the Senior Vice President) and Molly Bordonaro (the Senior Vice President) and two outside investors are also shareholders of GEDI.

We are a real estate investment management firm. We provide investment management and advisory services to certain pooled real estate private equity funds we have sponsored and organized (each, a “**Fund**” and collectively, the “**Funds**”). We are also capable of managing, separate, non-comingled accounts for specific clients for real estate investment purposes but do not currently do so. We also control and oversee the operations of two affiliated investment management entities and wholly owned subsidiaries called Gerding Edlen Fund Management, LLC and Gerding Edlen Fund Management II, LLC, each of which acts as a general partner to one or more Funds (each, a “**General Partner**”). Each General Partner is listed as a “relying adviser” in Section 1.B of Schedule D of our Form ADV Part 1A. As such, each General Partner is also considered to be registered with the U.S. Securities and Exchange Commission (the “**SEC**”) pursuant to the Investment Advisers Act of 1940 (the “**1940 Act**”).

GEDI is a full service real estate investment, development and management firm with offices in Oregon and California. GEDI is also a pioneer in sustainable development and is one of the nation’s largest developers of Leadership in Energy and Environmental Design (“**LEED**”) Certified properties with over 51 Certified or registered projects. Since 1996, GEDI (including through its predecessor, Gerding Edlen Development, Inc.) has developed more than 60 projects totaling more than \$4 Billion in real estate value throughout the Western United States.

Our management team offers years of expertise in real estate acquisitions, development, re-development, management, marketing and leasing of office, multi-family and mixed-use real estate assets.

### B. Types of Advisory Services

We specialize in real estate investment advisory, development and management services. We are not involved in investments which are not related to real estate. We serve as the investment management company for the Funds.

Each of the Funds is structured as a limited partnership. The general partner entity for each Fund is wholly-owned by us. We have been delegated full investment discretion and management authority with respect to each Fund. The services we provide to the Funds, in the capacity as the adviser, may include: organizing and managing the Fund's business affairs; acquiring, financing and disposing of investments; preparing financial statements; preparing tax related schedules; and providing investor relations functions such as drafting, printing and distributing correspondence to investors and prospective investors. Since we invest our own capital in the Funds up to a certain percentage of investor capital commitments, we have a substantial personal investment in the Funds.

Each of the Funds is excluded from the definition of "investment company" under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and who securities are not registered under the Securities Act of 1933, as amended (the "**Securities Act**"). Each purchaser of limited partnership interests (the "**Interests**") in a Fund must be: (a) an "accredited investor" as such term is defined in Regulation D promulgated by the SEC under the Securities Act; and (b) either (i) a "qualified purchaser" as such term is defined in Section 2(a)(51) of the Investment Company Act or (ii) a "knowledgeable employee" as such term is defined in Rule 3c-5 of the Investment Company Act. Each person who meets the requirements of this paragraph is referred to herein as a "**Qualified Investor**". A Qualified Investor who invests in a Fund is referred to herein as a "limited partner" or an "investor".

Our management team and investment committee, consisting of Mark Edlen, Kelly Saito, Roger Krage, and Molly Bordonaro (the "**Management Team**"), is actively involved in the investment decisions for the Funds. The Management Team assists in the development of each Fund's investment objectives; identifying potential investments which are consistent with a Fund's investment objectives; evaluating specific real estate investments; analyzing, structuring and negotiating investments; providing ongoing asset management of real estate investments; identifying opportunities to enhance investor return; developing strategies relative to investment holding periods and dispositions; and identifying opportunities to dispose of a Fund's investments and managing the disposition process.

We provide investment advice directly to the Funds and not individually to the limited partners of the Funds. At the present time, the Funds invest only in direct interests in real estate. At the present time, none of the Funds invests in securities or other equity investments or participation interests in real estate property, but may do so in the future to the extent permitted by a Fund's Partnership Agreements (as defined below).

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

We manage the Funds based on the investment objectives and investment restrictions set forth in each Fund's limited partnership agreement (each, a "**Partnership Agreement**" and collectively, the "**Partnership Agreements**") and investment management agreement (each, an "**Advisory Agreement**" and collectively, the "**Advisory Agreements**"), and in any other written materials furnished from time to time by the Funds to us. We may impose investment

restrictions as we deem appropriate. Such investment restrictions are set forth in each Fund’s confidential offering memorandum and/or Partnership Agreement (collectively, the “**Offering Documents**”).

Pursuant to the Partnership Agreements, we are prohibited from investing more than a certain percentage of a Fund’s assets in any single investment.

#### **D. Wrap Programs**

We do not participate in wrap fee programs.

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

	<b><u>Discretionary Amounts:</u></b>	<b><u>Non- Discretionary Amounts:</u></b>	<b><u>Date Calculated:</u></b>
Private Funds (RAUM) <sup>1</sup>	\$325,000,000	\$0	12/31/2012
Separate Real Estate Assets <sup>2</sup>	\$275,000,000	\$0	12/31/2012
Total AUM	\$600,000,000	\$0	12/31/2012

<sup>1</sup> Includes uncalled capital commitments to the Funds.

<sup>2</sup> Consists of five real estate assets that pre-date the formation of the Investment Advisor. GEDI' Inc. an owner of GEIM is an investor in these assets. Employees that manage GEIM's assets also act in an asset management role for these assets.

## Item 5: Fees and Compensation

### A. Fee Schedule

We are compensated for our advisory services to the Funds based on a percentage of assets under management and performance-based amounts.

Typically, from the initial closing date of a Fund until the third anniversary thereof, the Fund pays to us an annual advisory fee (a “**Management Fee**”) equal to a certain percentage of the total capital commitments (regardless of whether such capital has been invested) of the limited partners of the Fund. Thereafter, the Management Fee is equal to a certain percentage of the aggregate unreturned capital contributions made to the Fund.

We, in our discretion, may waive or reduce the Management Fee applicable to all or any of the limited partners in the Funds or agree to waive or alter the Management Fee as to a limited partner. The Management Fee charged by the Funds is reduced by the amount of any transaction, break-up or similar fees received by us as described in the Partnership Agreements.

There can be no assurance as to when a Fund’s committed capital will be invested or that the entire capital commitment of an investor will be invested.

We are also apportioned carried interest distributions from the Funds (“**Carried Interest**”) based on the net cash proceeds attributable to a Fund’s investments. We, in our discretion, may waive or reduce the Carried Interest as to all or any of the investors in the Funds or agree with an investor to waive or alter the Carried Interest distribution as to that investor. Our Carried Interest is also subject to a “clawback”, which means that we are required to return to the limited partners distributions we receive from the Funds which constitute Carried Interest under the Partnership Agreements if the limited partners do not receive the return of their capital contributions made to a Fund plus a certain stated preferred return on their investment from the Fund on an aggregate basis, covering all the Fund’s investments.

Typically, our Management Fee for each Fund ranges from 1.20% to 1.50% per annum, and our Carried Interest distributions do not exceed 30% of the profits earned by a Fund.

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



Investors should refer to a Fund's Offering Documents for additional or supplementary information regarding any of the Funds as well as the fees paid by the Funds.

## **B. Payment Method**

The Management Fee generally will be paid by the Funds quarterly either by issuing capital calls to the investors or by paying the Management Fee from investment proceeds or other cash held by a Fund. The Carried Interest for a Fund generally is paid out as a distribution of the net cash proceeds attributable to dispositions of portfolio investments of that Fund.

## **C. Other Fees and Expenses**

The Funds bear all expenses of their operations, expenses incurred in connection with the purchase, sale and financing of investments, and the fees and expenses of third party service providers to the Funds. Such expenses include but are not limited to:

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

Each Fund bears its organizational expenses, typically up to a maximum of \$500,000. To the extent that a Fund's organizational expenses exceed \$500,000, but are equal to or less than \$750,000, the Fund and we each bear 50% of the organizational expenses incurred in such numerical range, and to the extent that a Fund's organizational expenses exceed \$750,000, we bear such excess expenses.

## **D. Prepayment of Fees and Refunds**

Except as otherwise provided in the Offering Documents or the Partnership Agreements, no Investor may withdraw from a Fund or make a demand for or receive paid-in capital.

#### **E. Sales Compensation**

Neither we nor any of our supervised persons will accept compensation in connection with the sale of interests in the Funds.

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

“Performance-Based Fees” are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. We receive performance-based compensation in the form of the Carried Interest. Fees based on performance are only charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

Performance-based compensation may create an incentive for us to cause a Fund to make investments that are riskier than it would otherwise make.

Generally, we do not begin capital sourcing for a new Fund until our existing Funds have substantially completed their investment phase and as such our side-by-side- management issues should be reduced. This issue is addressed and procedures and resolutions are specifically outlined in the Funds' Partnership Agreements. Any new separate managed account or client will maintain a strategy that is distinct from the Funds, and we generally believe that we do not face conflicts related to the side-by-side management of accounts for these purposes. Additionally, because all Funds pay us roughly equivalent performance-based fees, we believe that we do not face conflicts related to the side-by-side management of accounts.

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

For a discussion of the Funds, please refer to Item 4 above. We provide investment advice directly to the Funds and not individually to the limited partners of the Funds. We may provide investment advice to managed accounts separate from the Funds but currently do not.

### **Account Requirements and Minimums**

We generally require Investors to make a minimum initial investment and to maintain a minimum investment in the Funds. Investors must be Qualified Investors and must also be eligible to enter into a performance fee arrangement under the Advisers Act. We require Investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in a Fund. The minimum investment requirement may be waived by us in our sole discretion.

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

### **A. Methods of Analyses**

Investments for each Fund are identified and selected by the Management Team. We primarily conduct research on portfolio investments of a Fund based on (i) reviews of market comparable data, legal documents, internal market research and knowledge and third party industry research and reviews; (ii) inspection of property or land site interviews of key tenants, suppliers and competitors; and (iii) site visits to each property and market.. In certain instances, we may also retain outside consultants and advisors having special expertise in relevant fields. We compile the foregoing information and employ a variety of financial analysis tools and methodologies in valuing and evaluating potential investments. Following an investment by the Funds, we will continue to monitor the progress and suitability of portfolio investments as well as market and economic conditions.

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

### **B. Investment Strategies**

#### ***Investment Strategies***

We currently employ several investment strategies all of which are focused on commercial real estate and include:

- develop, finance, manage and dispose of new mixed-use and multifamily projects in strategically targeted high growth, urban markets.
- purchase, retrofit and reposition under-managed or poorly-capitalized apartments, partially completed apartments/condominiums or distressed commercial properties in urban markets.
- purchase distressed debt of well located office with bridge to attaining fee ownership through short term disclosure or deed in lieu. Upon ownership, reposition properties through improved capital, management and leasing.
- purchase and reposition undervalued office properties in strategically targeted markets with forecasted employment growth.

The Funds may engage in joint venture development projects with joint venture partners who have similar investment criteria. If the Funds participate in joint venture opportunities, the Funds will be an active participant and we will seek to obtain governance rights throughout the

holding period of any joint venture investment. We may, in our sole discretion, establish parallel and/or feeder partnerships, real estate investment trusts, group trusts or other investment vehicles to address the tax, regulatory or other concerns of certain prospective investors. In order to insulate the assets of the Funds against liabilities arising from particular investments, to facilitate any financing to be incurred in order to acquire investments and to provide flexibility in disposing of investments, we may use domestic and foreign special purpose vehicles to make Fund investments.

The investment strategy of the Funds is more particularly described in each Fund's Offering Documents. Prospective investors should carefully read that Fund's Offering Documents and consult with their own counsel and advisers as to all matters concerning an investment in any of the Funds prior to making an investment.

## **C. Material Risks**

The following is a summary of the principal risks associated with an investment in the Funds. This is a summary only. Investors should look to the Offering Documents for a more complete description of these risks. Investors should not rely solely on the descriptions provided below.

### **Investment Strategy Risks:**

Acquiring interests in the Funds is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with us and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of a Fund are described in that Fund's Offering Documents.

#### *Portfolio Investment Risks*

Such risks may include (but are not limited to):

*General Real Estate Considerations* Real property investments are subject to varying types of risk. Real estate values are affected by a number of factors. If a Fund's investments do not generate sufficient revenues to meet their operating expenses, the Fund's cash flow and ability to pay distributions to Investors will be adversely affected. In addition, in certain circumstances, the Funds may be required to draw down additional capital from Investors to the extent of their unfunded Capital Commitments in order to pay Fund expenses or to make follow-on investments.

*Risks Associated with Joint Ventures* The Funds may make investments through partnerships, joint ventures or other entities. Such investments may involve risks not present in direct investments. Furthermore, if such co-venturer or partner defaults on its funding obligations, it may be difficult for the Fund to make up the shortfall from other sources. The Funds may be required to make additional contributions to replace such shortfall. Any default by such co-venturer or partner could have an extremely deleterious effect on the Fund's assets and Investors. In addition, the Funds may be liable for the actions of its co-venturers or partners.

*Current Market Conditions.* The U.S. economy is coming out of a recession and still shows signs of weakness due to volatility and uncertainty in the credit markets, persistently high unemployment and low consumer demand. Real estate asset values have declined in many markets and further corrections in real estate pricing may occur. While it is expected that each Fund's investment program will reflect acquisition prices already impacted by these factors, there can be no assurance that prolonged weakness in the U.S. real estate markets and the overall state of the economy will not adversely affect the value of the Funds' investments.

*Competitive Nature of the Funds' Business.* The business of the Funds is highly competitive. The Funds may be competing for suitable investments with other prospective purchasers that have greater resources than the Funds, or that have better relationships with sellers of assets, lenders, and brokers. These competitors may have different investment objectives than the Funds, enabling them to accept more risk or pay higher prices than we deem reasonable or appropriate for the Funds. In addition, a Fund's properties may face competition for quality tenants from other properties. As a result, there is no assurance that any Fund will be able to consummate investments, diversify its portfolio of investments to the extent anticipated or satisfy its return objectives.

*Lack of Liquidity of Investments.* Real estate investments are relatively illiquid. Such illiquidity may limit a Fund's ability to modify its portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising one of a Fund's investments. Furthermore, dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

*Potential Environmental Liability.* Under various U.S. federal, state, and local laws, ordinances, and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in the property. Such enactments often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral. In addition, remediated property may attract a limited number of potential purchasers because of the property's history of contamination, which might also adversely affect the owner's ability to sell the property. Further, a transfer of property does not relieve from liability a person who owned the property at a time when hazardous or toxic substances were disposed of on, or released from, such property. In addition, noncompliance with environmental regulations may allow a governmental authority to order the owner/operator to cease operations at the property or to incur substantial costs and expenses to bring the property into compliance through the implementation of burdensome remediation or prophylactic measures.

*Government Regulation.* The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation, changes in existing laws, or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies.

*Possible Lack of Diversification.* Investments made by the Funds could potentially be concentrated in one investment type or in relatively few investment types or locations. As a consequence, the aggregate return on a Fund's investments may be adversely affected by the unfavorable performance of a particular investment type or location and will be at a greater risk to overall changes in the economy or interest rates

*Risks Associated with Unspecified Transactions.* The Funds rely on the ability of the Investment Manager to identify investments suitable. Although the members of the investment team have been successful in identifying suitable investments in the past, no assurance can be made that a sufficient number of attractive opportunities to meet the investment objectives of the Funds will be identified. The Funds also face the risk of changes in long-term interest rates and adverse changes in the real estate markets. No assurance can be given that the Funds' investments will be profitable or achieve targeted returns or that capital losses will not occur.

*Risks upon Disposition of Investments.* The Funds may be required to make representations about an investment typical of those made in connection with the sale of any property. The Funds may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate, or misleading.

*Targeted Rate of Return on Investments.* The Funds will make investments based on our estimates or projections of internal rates of return and current returns, which in turn are based on, among other considerations, assumptions regarding the future performance of a Fund's assets, the amount and terms of available financing and the manner and timing of dispositions, all of which are subject to significant uncertainty. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return on a Fund's investments.

*Follow-on Investments* The Funds may be called upon to provide follow-up funding for its portfolio investments or have the opportunity to increase its investment in such portfolio investments. There can be no assurance that the Funds will wish to make follow-on investments or that it will have sufficient resources to do so. Any decision by any Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio investment in need of such an investment or may diminish the Fund's ability to influence the portfolio investment's future development.

*Multi-Sector Investment Strategy.* The Funds may acquire assets across a variety of real estate product-types in a variety of geographic locations. This multi-sector approach could require more management time, staff support and expense than a Fund whose focus is dedicated to a greater extent on a single product-type in fewer jurisdictions.



*"Green" Properties.* The Funds anticipate investing in modern, energy efficient properties that exhibit sustainable characteristics. Although our business case for acquiring such properties may assume that such properties are likely to outperform conventional properties, there can be no assurance that such properties will in fact experience higher rental growth or greater capital appreciation.

*Office Properties.* The Funds may invest in office properties. A large number of factors may adversely affect the value of office properties, including the quality of an office building's tenants; an economic decline in the business operated by the tenants; the physical attributes of the building in relation to competing buildings, the physical attributes of the building with respect to the technological needs of the tenants, the diversity of an office building's tenants (or reliance on a single or dominant tenant); the desirability of the area as a business location; the strength and nature of the local economy, and an adverse change in population, patterns of telecommuting or sharing of office space, and employment growth (which creates demand for office space).

*Multi-Family Properties.* The Funds may invest in garden-style, mid-rise and high-rise properties. A large number of factors may adversely affect the value and successful operation of such properties, including: physical attributes of the property, access to transportation and construction quality; location of the property; ability of management to provide adequate maintenance and insurance; the types of services or amenities that the property provides; the property's reputation; the level of mortgage interest rates, the presence of competing properties; the tenant mix, adverse local or national economic conditions, and state, local and federal regulations.

*Retail Properties.* The Funds may invest in retail properties. Several factors may adversely affect the value and successful operation of a retail property, including, but not limited to: (a) changes in consumer spending patterns, local competitive conditions; (b) alternative forms of retailing, (c) the safety, convenience and attractiveness of the property to tenants and their customers or clients; (d) the public perception of the safety of customers at shopping malls and shopping centers; (e) the need to make major repairs or improvements to satisfy the needs of major tenants; and (f) traffic patterns and access to major thoroughfares. The general strength of retail sales also directly affects retail properties.

*Development/Construction Risks.* The Funds' investments may involve significant construction-related risks, including the risk of substantial delay or increase in cost due to various factors including delays in procuring labor and materials, strikes and other labor disputes or work interruptions, environmental issues, force majeure, and failure by one or more of the project participants to perform in a timely manner their contractual, financial or other commitments. Accordingly, there can be no assurance that these projects will prove to be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested by any Fund.

*Leverage.* We will utilize leverage on behalf of the Funds with the goal of enhancing a Fund's returns. A Fund's failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on a Fund. Use of leverage will subject a

Fund to risks normally associated with debt financing, including the risk that a Fund's cash flow will be insufficient to meet required payments of principal and interest, the risk that indebtedness on the investments will not be able to be refinanced or the risk that the terms of such refinancing will not be as favorable as the terms of the existing indebtedness.

In addition, the Funds may leverage their investments with non-recourse debt financing, in which case a lender would be entitled to the cash flow generated by such investment prior to Fund receiving a return of or on its investment. Although the use of leverage may enhance returns and increase the number of investments that can be made, it involves a heightened degree of risk, is inherently more sensitive to adverse economic factors (such as a significant rise in interest rates, a downturn in the economy, deterioration in the condition of such investments, declines in revenues and increases in expenses), and can exaggerate the financial effect of any increase or decrease in the value of such investments.

*Fluctuations in Interest Rates.* The Funds may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. No strategy can completely insulate the Funds from the risks associated with interest rate changes and there is a risk that they may provide no protection at all and potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks including the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. The Funds cannot give any assurances that it will be able to enter into hedging transactions or that such hedging transactions will adequately protect the Funds against the foregoing risks.

*Availability of Insurance against Certain Catastrophic Losses.* The Funds plan to obtain liability, fire, flood (if required), extended coverage, and rental loss insurance for their portfolio investments with such insured limits and policy specifications as we believe are customary. However, certain losses of a catastrophic nature may be either uninsurable or insurable at such high rates as to adversely impact a Fund's profitability. If a major uninsured loss were to occur with respect to a portfolio investment, a Fund could lose both its invested capital and anticipated profits related to such portfolio investment.

## **Risks Relating to an Investment in the Funds**

The Funds will be primarily investing in investments related to real estate and real estate-related assets.

*Past Performance of GEIM.* The performance of the Funds is dependent on future events and is, therefore, inherently uncertain. The track record of GEIM (including the track record of our investment adviser predecessor-in-interest, GEDI), including all investment funds and client accounts managed by us and our affiliates, cannot be relied upon to predict future events due to a variety of factors.

*Risk of Loss.* An investment in the Funds entails a high degree of risk with no certainty as to the magnitude or timing of the returns, if any, on an investment. Accordingly, an investment in the

Funds should be made only by persons who are able to bear the risk of loss of all capital invested. No guarantee or representation is made that GEIM will be able to implement its investment strategy or achieve its targeted returns, or that the overall investment program of the Funds will be successful.

*Dependence on Key Personnel.* The success of the Funds depends in substantial part on the skill and expertise of the Management Team. There can be no assurance that such key personnel will remain in the employ of GEIM or any of our affiliates, including GEDI, for the life of the Funds. The loss of the services of any of such individuals could have a material adverse effect on a Fund's operations.

*Lack of Limited Partner Control Over the Funds' Policies.* The management, financing, leasing and disposition policies of each Fund and policies with respect to certain other activities are determined by the General Partner of each Fund and GEIM. Limited partners in a Fund must rely entirely on the General Partner and GEIM to conduct and manage the affairs of the Fund.

*Absence of Recourse to GEIM and the General Partner.* A Fund's governing documents limit the circumstances under which GEIM, the General Partner and their respective affiliates, including their officers, directors, partners, employees, shareholders, members and other agents, can be held liable to the Fund and the Investors. As a result, Investors may have a more limited right of action in certain cases than they would in the absence of these provisions.

*No Market for Interests in the Funds.* None of the Interests of any Fund has been registered under the Securities Act or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. In addition, the Interests are not transferable except with the consent of the General Partner, which generally may be withheld by the General Partner in its sole discretion, and are subject to the terms and conditions of the Fund's governing documents. Investors generally may not withdraw capital from the Funds. Consequently, Investors may not be able to liquidate their investments prior to the end of a Fund's term.

*Fewer than All Interests Offered May be Sold*

If fewer than all Interests offered are sold, a Fund's investments may be less diversified and the types of investments available to a Fund may be more limited than if a larger portion of the maximum offering proceeds is obtained. This may have an adverse impact on the ability of a Fund to achieve its investment objectives.

*Capital Not Fully Drawn.* Under each Fund's governing documents, capital committed by a Fund's limited partners will be drawn down over a period of time as needed to make investments and pay expenses. There can be no assurance that all capital commitments will be honored. To the extent that some Investors do not honor their capital commitments to a Fund, the Fund may make drawdowns from the remaining Investors to a larger extent or earlier than it otherwise would. In addition, to the extent an Investor fails to fund a drawdown on its capital commitment, the Fund may, in certain circumstances, be forced to increase its leverage or breach its contractual obligations and may be subject to liability stemming from potential breach of contract and tort claims.

*Recourse to the Funds' Assets.* The assets of a Fund, including any investment made by the Fund and any capital held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular Fund asset, such as the investment giving rise to the liability.

### **Item 9:      Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or potential client's evaluation of the firm or the integrity of the firm's management in this item.

We have no such legal or disciplinary events to report.

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

### **A. Registration as a Broker-Dealer or Registered Representative**

Neither we nor any management person is registered as a broker-dealer or registered representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person**

Neither we nor any management person is registered as a futures commission merchant, commodity pool operator, commodity trading adviser or associated person of such an entity.

### **C. Material Relationships**

We currently have certain relationships or arrangements that are material to our advisory business. Below is a discussion of such relationships/arrangements and any conflicts that arise from them.

#### **1. Broker-dealer, municipal securities dealer, or government securities dealer or broker**

None

#### **2. Investment Company or other pooled investment vehicle**

See Item 7 above. Investors in the Funds must understand that the Funds were formed as an investment product to be managed by us, and that we do not intend to cause any Fund to terminate its investment management relationship with us absent our liquidation or bankruptcy. In addition, a Fund's investors generally are not permitted to withdraw from a Fund prior to its dissolution.

#### **3. Other investment adviser or financial planner**

None

#### **4. Futures commission merchant, commodity pool operator, or commodity trading adviser**

None

**5. Banking or thrift institution**

None

**6. Accountant or accounting firm**

None

**7. Lawyer or law firm**

None

**8. Insurance company or agency**

None

**9. Pension consultant**

None

**10. Real estate broker or dealer**

None

**11. Sponsor or syndicator of limited partnerships**

Our affiliates serve as the general partners of the Funds.

<b>D. Selection of Other Investment Advisers</b>
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We do not select other investment advisers to provide services to any Fund.

## Item 11: Code of Ethics

### A. Code of Ethics

In order to address conflicts of interest, we have adopted a code of ethics (the “**Code**”) which is applicable to certain officers and employees engaged in providing investment advisory services with respect to the Funds (collectively, “**Advisory Personnel**”). The Code generally sets the standard of ethical and professional business conduct that we require of our Advisory Personnel, requires Advisory Personnel to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Advisory Personnel. Additionally, the Code sets forth our policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Advisory Personnel owes to each advisory client.

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

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

### B. Recommendations Involving Material Financial Interests

We may recommend or cause the Funds to make investments in which we have direct or indirect financial interest. GEDI and its affiliates may provide additional services to the Funds including, without limitation, property management, development, leasing, construction, and other property-related services in connection with a Fund’s investments. These are all services that would typically be performed for a Fund’s portfolio investments by third parties. We or our affiliate will receive fees for such services. Fees for any such services provided with respect to a Fund’s investments will be based on market rates and are subject to the approval of the Advisory Committee as described below. However, such fees will not be determined through arm’s-length negotiation. Any such fees will be solely for the account of GEDI and its affiliates, as applicable, and will not be shared with the Fund.

The potential conflicts of interest of this nature are disclosed to the Funds’ investors in the Offering Documents for each Fund.

Typically, our key personnel are invested, directly or indirectly, in the Funds. GEIM also has a material personal investment in the Funds through our ownership of the General Partner of each Fund. Our affiliates may also be invested in the Funds. We do not believe that these investments cause a conflict of interest between us and the Funds but rather function to better align the



interests of the investors with our own interests since our own money is being invested alongside the investors'. However, our interests under some circumstances may differ from those of the Funds and/or its Investors. Such conflicting interests could potentially affect our decisions in purchasing, holding and disposing of a Fund's investments.

By virtue of our direct and indirect capital investment in the Funds, we may be considered to participate, indirectly, in transactions effected for the Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the Offering Documents.

An advisory committee composed of representatives or designees of certain limited partners of each Fund (each, an “**Advisory Committee**”) approves the Fund's transactions that involve a potential conflict of interests for GEIM, GEDI or their affiliates. The Advisory Committee for a Fund also consults with us on the valuation of the Fund's investments, appoints the Fund's independent auditor (which shall be an internationally recognized public accounting firm) and considers such other issues as may be presented to the Advisory Committee by GEIM or the Fund's General Partner. Each Fund's Advisory Committee meetings are held as necessary, but at least annually.

Subject to approval of a Fund's Advisory Committee, GEDI or its affiliates may provide development, property management and other services with respect to properties in which the Fund invests in exchange for market rate fees and on terms customary in the real estate industry.

Investment opportunities that involve a potential conflict of interest and, therefore, would require Advisory Committee approval to be pursued by a Fund, that are not approved by the Advisory Committee may be pursued by GEDI or its affiliates outside the Fund for their own accounts or for other accounts.

### **C. Personal Trading**

None of our Advisory Personnel invest for their own account in any individual investment which is eligible to be held by the Funds.

### **D. Concurrent Trading**

We do not invest our corporate investment portfolio in any individual investments which are eligible to be held in one of the Funds.

## **E. Other Conflicts of Interests**

Our Code of Ethics has policies and procedures to address the following additional conflicts of interest:

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

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

### *2. Gifts/Gratuities*

In the event the Funds begin investing in actively traded securities, or becomes securitized, our Code sets forth procedures regarding gifts and business entertainment to address the potential conflicts of interest surrounding these practices.

### *3. Political Contributions*

We generally prohibit Advisory Personnel from making political contributions on behalf of GEIM without written pre-clearance from our Chief Compliance Officer.

### *4. Valuation*

A Fund's portfolio investments will be valued periodically in accordance with the terms agreed to with investors in the Offering Documents, which in some cases may require a determination of their fair market value. "Fair market value" is generally defined as the amount for which an asset could be sold in a current transaction between knowledgeable unrelated willing parties when neither is acting under compulsion. The objective is to estimate the sale price at which hypothetical willing marketplace participants would agree to transact.

### *5. Allocation of Investment Opportunities*

One of the owners of GEIM, GEDI, engages in a broad spectrum of real estate finance and investment activities that are independent from, and may from time to time conflict with, the Funds. In the future there might arise instances where GEDI's interests conflict with the interests of the Funds and/or their investors. In addition, we and our affiliates, including GEDI, may engage in transactions with, provide services to, invest in, advise, sponsor and/or act as investment manager to portfolio companies, investment vehicles and other persons or entities that may have similar structures and investment objectives and policies to those of a Fund.

These entities may compete with the Funds for investment opportunities. They may also co-invest with the Funds in certain transactions. We attempt to mitigate the risk of these conflicts by our policies on allocation of investment opportunities (See Section 12), however, conflicts of interest may still arise.

GEDI has investments in real estate and real estate-related assets in which the Funds do not have an ownership interest. Certain conflicts of interest may result from such investments. GEDI may invest in investments that have rights and interests different from or adverse to, the investment opportunities of the Funds. GEDI's interests in such investments may conflict with the interests of the Funds in related investments at the time of origination or in the event of default or restructuring of the investment. Subject to certain limitations, GEDI may also invest in real estate and real estate-related assets that may be competitive with the Funds or the properties securing their investments. To the extent GEDI invest in competitive properties, such properties may impair the performance of a Fund's investments.

#### *6. Diverse Membership*

Investors in the Funds include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by us or the General Partner of a Fund that may be more beneficial for one type of Investor than for another type of Investor. In addition, the Funds may make investments that may have a negative impact on related investments made by the Investors in separate transactions.

In selecting investments appropriate for a Fund, we will consider the investment objectives of a Fund as a whole, not the investment objectives of any Investor individually. The General Partner of each Fund has a fiduciary duty to manage the Fund in the best interests of the Investors and will in good faith attempt to resolve potential conflicts of interest in a manner that it believes is in, or not opposed to, the best interests of the Investors. No assurance can be given that such efforts will be successful.

#### *7. Other Investment Activities of GEDI; Conflicts Relating to Business Opportunities.*

GEDI and its affiliates presently manage and/or have significant ownership interests in a large number of properties. Any properties in which the Funds may have an ownership interest may be in direct competition with properties and entities in which GEDI or its affiliates have an ownership or management interest, and GEDI or its affiliates may be subject to conflicts of interest with respect to the sale, management, or financing of properties owned by the Funds or owned by entities in which the Funds have an ownership interest. GEDI and the management team of the Funds may devote significant time to the management of other client accounts or investment entities sponsored by GEDI. The Funds will have no interest in such entities or accounts.

## **Item 12: Brokerage Practices**

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

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

We are authorized to make the following determinations in accordance with the Fund's Offering Documents without obtaining prior consent from the Funds or any of their investors: (1) which securities or other investments to purchase or sell and (2) the total amount of securities or investments to purchase or sell.

The Funds makes investments in real estate and real estate-related assets. We do not utilize the services of a securities broker in selecting the investments for the Funds.

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

Soft dollar arrangement are arrangements where an adviser directs client securities transactions to broker-dealers in recognition of research services or products provided to the adviser or its clients. Since we do not utilize the services of a securities broker in connection with Funds investments, we do not intend to have any soft dollar arrangements.

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

Not applicable

#### **Directed Brokerage**

Not applicable

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

Not applicable

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

### **A. Periodic Reviews**

The Management Team monitors the Funds and their investments on a regular, ongoing basis. The Management Team meets regularly, generally to review portfolio performance, portfolio diversification and investments generally. The Management Team also is responsible for approving the acquisition by a Fund of investments meeting established or negotiated investment guidelines.

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

Not applicable.

## **C. Client Reports**

Each Fund's investors receive such reports as are provided for in a Fund's Offering Documents. A Fund's financial statements will be prepared in accordance with GAAP and will be distributed to investors after the end of the Fund's fiscal year. Generally, investors also receive quarterly reports containing information on a Fund's portfolio holdings, including summary descriptions of a Fund's investments made and disposed of during such quarter. These reports may include or be accompanied by information with respect to the performance of a Fund, other information about the investor's capital account and certain tax-reporting information (*e.g.*, Form K-1). We or a qualified custodian may distribute these reports (See Item 15).

We may rely on information provided by third parties in preparing reports, and a third party may assist in preparing or distributing reports. To the extent reports include or rely upon information from another source, we attempt to obtain such information from reliable sources; however, the accuracy of such information cannot be guaranteed. Reports may also include or rely upon fair value determinations made by us or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed.

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

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

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

We may have certain investors that were referred to us through the recommendations of third parties, including consultants that may also be broker-dealers, or may have certain pre-existing financial agreements or relationships with a particular broker-dealer. In addition, we may from time to time buy from such third parties certain services or products used in our investment advisory business (such as software or research publications) or pay registration or other fees toward or otherwise assist in sponsoring such third parties' industry forums, seminars or conferences. We may also invite consultants to events or other entertainment hosted by the firm.

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

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

From time to time, we may refer investors to unaffiliated financial institutions or other professional service providers for purposes of rendering certain services to the investor which we do not generally provide. We may receive compensation from the financial institution or service provider as a result of the referral. Further, the referral may result in the investor allocating additional assets to a Fund.

## **Item 15: Custody**

We will not maintain physical possession of the funds or securities of the Funds. Custody of the assets of a Fund will be maintained with a qualified custodian selected by us in our exclusive discretion, which selection may change from time to time without the consent of Investors. As described in Item 13.C above, we or the qualified custodian will provide Investors with performance reports and account statements. Investors should carefully read these reports and compare any reports received from us against reports received from the qualified custodian.

## **Item 16: Investment Discretion**

Subject to any investment restrictions set forth in the Offering Documents for the Funds, we have discretionary authority to make the following determinations without obtaining the consent of any Investor before the transactions are effected:

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

Our discretionary authority is derived from our authority as the investment manager of each of the Funds and our authority pursuant to each of the Advisory Agreements.



<b>Item 17: Voting Client Securities</b>
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Not Applicable.

## **Item 18: Financial Information**

### **A. Prepayment of Fees (Six or more months in advance)**

Not Applicable.

### **B. Impairment of Contractual Commitments**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. No financial condition is reasonable likely impair our ability to meet contractual commitments to the Funds.

### **C. Bankruptcy Petitions**

Not Applicable