



Form ADV Part 2A Brochure for Metropolitan Real Estate Equity Management, LLC

March 30, 2015

This brochure provides information about the qualifications and business practices of Metropolitan Real Estate Equity Management, LLC (the “Adviser” or “Metropolitan”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (212) 812-4950 or legal@mreem.com. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at <http://www.adviserinfo.sec.gov>.

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

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Item 2. Material Changes

This brochure is intended to provide potential and existing clients with an overview of the Adviser. It also contains important disclosures such as certain practices of the Adviser, potential material conflicts that may arise and key potential investment risks. The following is a discussion of the material changes to the Adviser's brochure since the last annual update filed on March 31, 2014.

The Adviser's business historically had been supported by its two wholly-owned non-U.S. sub-advisers: Metropolitan Real Estate Asia Ltd. ("MRE Asia") and Metropolitan Real Estate Europe LLP ("MRE Europe"). Each of MRE Asia and MRE Europe is in the process of winding down and will be dissolved and/or terminated. The Adviser's personnel who were employees of MRE Asia have become employees of Carlyle Asia Investment Advisors Limited ("CAIA"), and the Adviser's personnel who were employees of MRE Europe have become employees of CECP Advisors LLP ("CECP"). Each of CAIA and CECP is part of The Carlyle Group ("Carlyle") and an affiliate of the Adviser. Additionally, each of CAIA and CECP act as sub-advisers to Carlyle Investment Management L.L.C. ("CIM"), a separately-registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), that is also an affiliate of the Adviser. The Advisers has entered into a sub-advisory agreement with CIM through which the Adviser's personnel who are now employed by CAIA and CECP can continue to provide sub-advisory services to the Adviser.

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Business Background

The Adviser is registered with the SEC as an investment adviser under the Advisers Act. The Adviser is based in New York City and operates globally with personnel located in San Francisco, Hong Kong and London. The Adviser commenced operations as an investment adviser in July 2002 and has been registered with the SEC since January 2006. In November 2013, Carlyle acquired 100% of the equity interests of the Adviser. The Adviser provides investment advisory services to pooled investment vehicles sponsored by Metropolitan ("Funds") and may in the future also provide investment advisory services to customized separately managed accounts ("SMAs" and together with Funds, "Advisory Clients").

The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of its Advisory Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser manages the assets of each Advisory Client in accordance with the terms of the governing documents and/or the investment advisory agreement applicable to such Advisory Client.

The investment objective of each Advisory Client is principally focused on value-add and opportunistic private investments in office, apartment, industrial or other commercial real estate, as well as in real estate-related securities (including debt or mezzanine participations), located in the United States, Europe and the Asia Pacific region. The investments pursued by the Adviser generally fall within three investment strategies:

- *Primary Fund Investments.* Direct subscriptions for interests in private equity real estate funds sponsored by third-party managers (such underlying funds are hereinafter referred to as "Underlying Funds");
- *Secondary Investments.* Secondary purchases of interests in Underlying Funds and privately held real estate assets from existing investors; and
- *Co-investments.* Co-investments in single real estate assets alongside Underlying Funds as well as direct subscriptions for interests in Underlying Funds that are dedicated co-investment funds sponsored by third-party managers.

The Adviser provides advice based on the specific investment objectives and strategies of each Advisory Client. The Adviser may tailor advisory services to the individual needs of each Advisory Client. For instance, the Adviser may provide advisory services to Advisory Clients with different investment mandates. As such, the investment guidelines set forth by each Advisory Client may vary with respect to property type, geographic market, manager and

strategy (e.g., distressed debt, international investments, etc.). All final investment decisions are made by the Adviser's Investment Committee.

As of December 31, 2014, the Adviser had approximately \$2.79 billion in capital commitments under management and approximately \$1.98 billion in assets under management, all of which are managed on a discretionary basis.

The Carlyle Group

Carlyle, founded in 1987, is one of the largest and most diversified multi-product global alternative asset management firms in the world. Carlyle operates its business, through CIM and several other Carlyle-affiliated investment advisers (including the Adviser), across four segments: (i) Corporate Private Equity, (ii) Real Assets, (iii) Global Market Strategies, and (iv) Investment Solutions.

The Adviser is the real estate manager-of-managers in Carlyle's Investment Solutions business segment ("Investment Solutions"). Investment Solutions offers customized managed account solutions to a broad range of sophisticated investors providing access to proprietary Carlyle-sponsored funds and other third-party private investment funds across multiple strategies, including private equity, real estate, hedge funds, infrastructure, energy, mezzanine debt, distressed debt and commodities. Investment Solutions works collaboratively with investors to construct portfolios tailored to meet specific investment objectives, return/risk requirements, liquidity expectations and liability profiles. Investment Solutions primarily operates through the Adviser, AlpInvest Partners B.V. ("AlpInvest") and Diversified Global Asset Management Corporation ("DGAM"), as well as certain Carlyle personnel associated with CIM. Investment Solutions is headed by Jacques Chappuis, a Carlyle Managing Director. Apart from its relationship with Investment Solutions, the Adviser generally has an existence independent of Carlyle and primarily carries out its investment operations independently of Carlyle and its affiliated entities; however the Adviser shares or leverages certain operational functions and resources at Carlyle, such as corporate accounting, information technology and compliance. Carlyle maintains a one-way information barrier between Investment Solutions (which includes the Adviser), on the one hand, and the other business segments of Carlyle, on the other hand. The Investment Solutions information barrier restricts the flow of certain non-public, commercially sensitive information from Investment Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. Although Carlyle maintains ultimate control over the Adviser, the Adviser's senior management team continues to exercise independent investment authority without involvement by Carlyle (although Carlyle professionals who are members of Investment Solutions may observe the Adviser's investment decision-making processes).

In addition, The Carlyle Group L.P. (the "Public Company") is a publicly traded partnership traded on the NASDAQ stock exchange as ticker CG and is part of Carlyle. The Public Company indirectly owns 100% of the equity interests of the Adviser and is an affiliate of the Adviser. Carlyle Group Management L.L.C. is the general partner of the Public Company and may be deemed to indirectly control the Public Company's business for regulatory purposes. Carlyle

Group Management L.L.C. is managed by a Board of Directors (appointed by Carlyle's founders, William E. Conway, Jr., Daniel A. D'Aniello, and David M. Rubenstein) and certain other senior Carlyle professionals. Additional information is also available in current public filings with the SEC for the Public Company (see www.carlyle.com, go to the "Financial Information" portion of the "Public Investors" page).

For purposes of this brochure, unless otherwise indicated, references to the "Adviser" (or its related entities) do not include references to Carlyle or any of its other affiliated entities, including CIM, Alpinvest and DGAM. The entities and individuals who invest in Funds are generally referred to herein as "investors." Unless otherwise expressly stated herein, any references to "clients" or "advisory clients" do not include such "investors." The term "investor" is not intended to refer to any unitholders of the Public Company.

The Adviser and other Carlyle-affiliated advisers (e.g., CIM, Alpinvest and DGAM) may act as an investment adviser to certain advisory clients within Investment Solutions. Advisory services may include making recommendations to such advisory clients regarding overall investment strategy across the alternatives asset class or allocation, including recommended allocations of capital to certain investment vehicles sponsored by the Adviser, Carlyle, Alpinvest and/or DGAM.

Item 5. Fees and Compensation

The Adviser and/or its affiliates generally receive management fees and/or performance-based compensation (*e.g.*, carried interest or similar profit allocations) from Advisory Clients. The specific legal and/or organizational documents of Advisory Clients (which may include limited partnership or other governing agreements, subscription agreements and side letters) or the investment advisory agreement between the Adviser and such Advisory Client set forth the fee structure relevant to such Advisory Client. Advisory Clients typically also bear certain out-of-pocket expenses incurred by the Adviser and its affiliates in connection with the services provided to such Advisory Clients. Fees and other compensation, as well as other out-of-pocket costs and expenses of the Funds are ultimately borne by the investors such Funds.

The following sections discuss the most common fees and expenses in more detail.

Common Types of Fees

Each Advisory Client pays the Adviser an asset management fee (the “Management Fee”) semi-annually in advance. The Management Fee is generally calculated at the annual rate of 1% of capital commitments until the end of the investment periods of all of the Underlying Funds; and thereafter the basis for the Management Fee switches to invested capital. When a new limited partner is admitted to a Fund following the date on which the Fund first admitted limited partners, the new limited partner will be charged a Management Fee retroactive to the initial closing date. Additionally, Management Fees are generally required to be returned to an Advisory Client should the Adviser’s management services to such Advisory Client be terminated prior to the end of the period in respect of which the fees have been paid. In general, the amount of such fees to be returned is calculated based on the number of days remaining in the applicable period.

In addition, the Adviser or one of its affiliates (*e.g.*, the general partner of a Fund) is generally entitled to receive carried interest or similar profit allocations (“Carried Interest”) from the an Advisory Client. Carried Interest is a performance-based profit allocation based on a share of the income and gains of the assets in each Advisory Client. Carried Interest allocations typically range between 3% and 5% of distributions after the Advisory Client or a Fund’s investors have received a return of their contributed capital plus a preferred return of 9%.

With respect to each of the two Funds that are focused on distressed real estate-related opportunities primarily in the United States (each, a “Distressed Strategy Fund”), the Adviser receives a Management Fee calculated at the annual rate of 0.5% of capital commitments until the end of the investment period of the Underlying Funds; thereafter, the basis for the Management Fee switches to invested capital. In addition, the general partner of each Distressed Strategy Fund (a related person of the Adviser) is entitled to Carried Interest equal to 10% of a Distressed Strategy Fund’s distributions after its investors have received a return of their contributed capital plus a preferred return of 10%.

With respect to the Adviser's Funds that are focused on the acquisition of co-investments (either directly or through an investment entity sponsored third-party managers) and interests in Underlying Funds acquired on the secondary market (collectively, the "Secondaries and Co-Investments Fund"), its general partner is entitled to Carried Interest equal to 10% of the Secondaries and Co-Investments Fund's distributions after its investors have received a return of their contributed capital plus a preferred return of 8%.

Carried Interest is subject to regulation under Section 205 of the Advisers Act and Rule 205-3 thereunder. Therefore, the Adviser seeks to ensure that any Advisory Client or investors in any Fund that are directly or indirectly assessed such performance-based allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such performance-based allocations arrangements and their risks.

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

Management Fees and Carried Interest arrangements are subject to modification, waiver or reduction in connection with an investment in one or more Funds. Furthermore, the Adviser, its affiliates and equity owners (including Carlyle), and certain of their respective professionals may invest in or alongside an Advisory Client. Management Fees and Carried Interest on such investments may be substantially reduced or, as is more typical, waived altogether for these investors.

Some Funds ("MREEM Global Funds") are established specifically for the purposes of investing in one or more other Funds. In such cases, an MREEM Global Fund will not be charged any direct management fees or make any Carried Interest distributions, but it will bear its *pro rata* share of the fees and expenses (including management fees) of, and Carried Interest distributed by, the underlying Funds in which it has invested.

Common Types of Expenses

Fund Organizational and Operational Expenses

Typically, legal, accounting, filing, travel and other expenses incurred in connection with organizing and establishing a Fund and its general partner (or similar managing fiduciary), including the offering of interests in the Fund, are borne by the investors in such Fund. Often, the organizational expenses borne by a Fund are capped in the governing documents for the Fund and any excess would offset future management fees.

Investors in Funds will also typically bear all the costs and expenses relating to the operations of the Fund and its general partner. These costs and expenses can include fees, costs and expenses related to developing, negotiating, structuring, trading, settling, monitoring, holding and disposing of portfolio investments, including due diligence costs and expenses (including travel); fees and expenses of administrators, custodians, attorneys, accountants, valuers and other professionals (including the audit and certification fees and the costs of printing and distributing reports); costs incurred in printing, distributing and otherwise furnishing reports and other financial or investment information to investors (including related information technology management systems and investor meetings); costs of compliance with any applicable legal and regulatory requirements, including compliance with any Fund-related agreements (e.g., a Fund's partnership agreement or side letter agreements with Fund investors requiring additional reporting), the European Union Alternative Investment Fund Managers Directive and the Foreign Account Tax Compliance Act; any insurance, indemnity or litigation expense; interest on, and fees and expenses arising out of, borrowings made by the Fund; the out-of-pocket and legal and other advisory expenses of an investor advisory committee; certain taxes and any fees or other governmental charges levied against the Fund; and costs and expenses incurred in connection with the dissolution and termination of a Fund and its general partner (or similar managing fiduciary).

SMA Advisory Clients would typically be expected to bear substantially the same types of costs and expenses as Fund investors as it relates to the organization, establishment and operation of the SMA, but will ultimately be subject to a final agreement as negotiated between the Advisor and such Advisory Client.

Broken Deal Expenses

Advisory Clients generally are required to bear out-of-pocket costs and expenses occurred in connection with investments that are not ultimately consummated. Typically, these expenses include (i) legal, accounting, advisory, consulting or other third-party expenses in connection with making an investment that is not ultimately consummated and any related travel and accommodation expenses, although the Adviser may be required to bear travel and accommodation expenses incurred in connection with the preliminary investigation of investment opportunities, (ii) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment that is not ultimately made, and (iii) any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not ultimately made. In certain circumstances third-party co-investors (i.e., persons who are not Advisory Clients, but who may be investors in a Fund) who have been invited by the Adviser to participate in an investment opportunity that is not ultimately consummated may not be obligated to bear any portion of the out-of-pocket costs and expenses incurred. In such cases, all broken deal expenses will be borne by one or more Advisory Clients.

Other Expenses

There are additional general categories of expenses that are borne by Advisory Clients, depending on their structure and the terms of the applicable governing documents and investment advisory agreements. For example, Advisory Clients (and, indirectly, investors in the Funds) generally will bear a portion of the fees and expenses associated with investments in Underlying Funds, including organizational costs of such Underlying Funds as well as management fees and carried interest paid by such Underlying Funds. In certain limited cases, Underlying Funds may include private investment funds sponsored by Carlyle or its affiliates, in which case an Advisory Client would bear the fees and other compensation arrangements (e.g., carried interest) charged by Carlyle or one of its affiliates to such Carlyle-sponsored Underlying Funds.

Presentation of Performance

Generally, net performance of a Fund is calculated on an aggregate basis after taking into account all fees and expenses actually borne by investors in the Fund as a group, but does not take into account any taxes borne or deemed to be borne by investors (such as, for example, taxes resulting from the investors' domicile or taxes paid or payable by vehicles designed to address certain investors' tax, regulatory or other similar issues). With respect to any particular Fund, differences in timing of an investor's commitment to the Fund and the economic and other terms applicable to certain investors therein may increase or decrease the net performance information realized by such investors and, accordingly, the actual net performance information of a particular investor may differ from the net performance information disclosed to such investors.

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

The Adviser currently acts as an investment adviser to its Advisory Clients, and related persons of the Adviser typically act as a general partner (or similar managing fiduciary) of such Advisory Clients that are Funds. The Adviser (or one of its affiliates) is typically entitled to receive Carried Interest from its Advisory Clients. The amount and manner of calculation of Carried Interest is negotiated with each Advisory Client.

In allocating investment opportunities, there could be incentives to favor Advisory Clients with higher potential performance-based allocations over Advisory Clients with lower potential performance-based allocations. In addition, performance-based allocations may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those that would be recommended under different compensatory arrangements. As a control, the Adviser has adopted policies and procedures pursuant to which it seeks to allocate investment opportunities among Advisory Clients in a fair and equitable manner. Each Advisory Client has its own investment guidelines that must be taken into account when making investment allocation determinations. Final allocation decisions are made in accordance with the Adviser's allocation policies and procedures.

See "Item 11. Code of Ethics, Participation of Participation or Interest in Client Transactions and Personal Trading" for additional information on how conflicts of interest are generally addressed.

Item 7. Types of Clients

The Adviser currently provides investment advisory services only to Funds that are organized or sponsored by the Adviser and may in the future also provide investment advisory services to SMAs. Interests in Advisory Clients are typically offered only to sophisticated institutional investors, such as government entities, pension funds, insurance companies and large endowments, as well as high net worth individuals and large family offices.

The Adviser requires that each third-party investor in an Advisory Client be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”). Typically, a minimum investment amount is imposed on third parties investing in the investment vehicles for which the Adviser acts as investment adviser. This minimum typically is set at \$500,000 (but may be set at a higher or lower amount for a particular Fund) although the Adviser, in its sole discretion, will permit commitments that are less than such minimum (subject to applicable legal requirements). A minimum investment amount can also be established pursuant to the laws of the jurisdiction in which the investment vehicle was established.

Interests in Funds are offered to U.S. persons through private offerings limited to qualified investors pursuant to exemptions available under the Securities Act and the regulations promulgated thereunder. Such investment vehicles are not registered with the SEC as “investment companies” pursuant to specific exclusions from investment company status under the Investment Company Act. The Adviser and certain of its affiliates, equity owners and professionals typically also invest in or alongside the Funds.

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

Methods of Analysis and Investment Strategies

The Adviser's long-term objective for each Advisory Client is to provide attractive investment returns through carefully selected portfolios of real estate investments within the parameters of the investment strategies for each such Advisory Client. The core investment strategies employed by the Adviser to meet this objective are primary fund investments, secondary investments and co-investments, as described in more detail below. Typically, Advisory Clients will invest in, and/or co-invest alongside, Underlying Funds that in turn invest in office, apartment, industrial or other commercial real estate, as well as in real estate-related securities (including debt or mezzanine participations), located in the United States, Europe and the Asia Pacific region.

- *Primary Fund Investments.* The Adviser's primary fund investments strategy seeks to construct portfolios for its Advisory Clients through the subscription of interests in Underlying Funds. The strategy can also include "purchased primaries," which are typically characterized by the purchase of an interest in an Underlying Fund from an existing investor in such Underlying Fund where such Underlying Fund has yet to invest a certain amount of its capital in portfolio investments and such investment would fall outside of the Adviser's secondaries investment strategy.
- *Secondary Investments.* The Adviser's secondary investments strategy seeks to construct real estate investment portfolios by purchasing interests in Underlying Funds (including the related unfunded commitments) and interests in private real estate investments.
- *Co-Investments.* The Adviser's co-investment strategy seeks to create well-diversified real estate investment portfolios by co-investing alongside leading sponsors of private real estate-focused funds in real estate investments both directly or indirectly through subscriptions for interests in Underlying Funds that are dedicated co-investment funds sponsored by third-party managers. The Adviser focuses on maximizing the number of investment opportunities and selecting the most attractive deals with qualified sponsors from those investment opportunities.

The Adviser is responsible for investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of an Advisory Client, managing and monitoring the performance of such investments and disposing of such investments. The Adviser manages the assets of each Advisory Client in accordance with the terms of the governing documents and/or the investment advisory agreement applicable to such Advisory Client. In selecting Underlying Funds, the Adviser seeks to create a broadly diversified portfolio of value-add and opportunistic Underlying Funds managed by sponsors

with compelling performance track records. The Adviser will also seek co-investment opportunities with sponsors of Underlying Funds with which it has developed a strong relationship through its primary and secondary investments business. The Adviser looks for sponsors that have a proven track record of adding value at the property level, a clear “sell discipline,” a fiduciary approach to managing investors’ capital, and a well-articulated approach to protecting against possible downside risk.

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

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

In addition, Investment Solutions offers customized managed account solutions to a broad range of sophisticated investors providing access to proprietary Carlyle-sponsored funds and other third-party private investment funds across multiple strategies, including private equity, real estate, hedge funds, infrastructure, energy, mezzanine debt, distressed debt and commodities. Investment Solutions works collaboratively with investors to construct portfolios tailored to meet specific investment objectives, return/risk requirements, liquidity expectations and liability profiles. Investment Solutions primarily operates through the Adviser, AlpInvest and DGAM (as well as certain Carlyle personnel associated with CIM). The Investment Solutions investment approach is intended to exploit market inefficiencies and other situations outside the mainstream of conventional investing in the alternatives asset class while seeking to minimize risk. Investments for Investment Solutions’ advisory clients are typically managed on a discretionary basis and are selected opportunistically by and among the aforementioned affiliated investment advisers (including the Adviser) from the range of investment strategies appropriate for the particular advisory client. For additional information regarding the methods of analysis, investment strategies and risk of loss of any of CIM, AlpInvest or DGAM, please see Part 2A of Form ADV of such particular investment adviser, available at: <http://www.adviserinfo.sec.gov/>.

Risk Factors

Investing in securities, including interests in Underlying Funds and their portfolio investments, involves a substantial degree of risk. There can be no assurance that any investment made by an Advisory Client will be able to generate returns or that the returns will be commensurate with the risks of investing in the type of investments in which such Advisory Client participates. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment and who are able to maintain sufficient capital to support their capital commitment to a Fund. There can be no assurance that projected or targeted returns for any Advisory Client will be achieved. The risk factors and risk of loss described herein should not be considered to be an exhaustive list of all the risks which Advisory Clients and investors in a Fund should consider. Advisory Clients and investors in a Fund should also refer to the applicable offering or organizational documents for additional information on risk factors and risk of loss.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for an Advisory Client, include the following:

Investment Risk

The Adviser's ability to source and execute quality investments depends on several factors. The Adviser needs to attract, develop and retain professionals with the requisite investment experience. The Adviser needs to optimize information sharing and synergy benefits across its investment teams. Further, the Adviser needs to undertake thorough assessments of each investment opportunity, using collective knowledge and experience.

The business of identifying and structuring investments of the types contemplated by Advisory Clients and the Underlying Funds is competitive and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities is often limited by market conditions and competition from other groups as well as the prevailing regulatory or political climate. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by an Advisory Client and Underlying Funds or considered for prospective investment. There can be no assurance that the Adviser will be able to identify and complete attractive investments in the future.

Suitable investments may not be available for Advisory Clients, and even if suitable investments are identified, there is a risk that an Advisory Client's investment objectives will not be achieved. The performance of an Advisory Client's portfolio depends on a range of factors, including the quality of the initial investment decision and the ability of the Underlying Fund manager or portfolio investment to drive performance and achieve its strategy.

Management Risk

The success of an Advisory Client's investments will depend in substantial part on the skills and expertise of the investment professionals of the Adviser. There can be no assurance that the Adviser's professionals will continue to be associated with the Adviser during the full term of an Advisory Client. The loss of one or more of the Adviser's key individuals could have a material adverse effect on the Adviser and its Advisory Clients.

Third-Party Underlying Fund Management Risk

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

Due Diligence Risk

The Adviser conducts due diligence in connection with investment opportunities. The Adviser's due diligence process may not reveal all facts that may be relevant in connection with an investment made by an Advisory Client. In some cases, only limited information is available about an Underlying Fund or other investment in which the Adviser is considering making an investment. There can be no assurance that the due diligence investigations undertaken by the Adviser will reveal or highlight all relevant facts that may be necessary or helpful in evaluating a particular investment opportunity, or that the Adviser's due diligence will result in an investment being successful.

Risks Related to Investments in Real Estate and Real Estate-Related Securities

Advisory Clients may invest directly, or indirectly through their interests in Underlying Funds, in office, apartment, industrial and other commercial real estate properties, as well as in real estate-related securities (including debt and mezzanine participations). Accordingly, such investments will be subject to the risks incident to ownership and development of real estate, including risks associated with changes in the general economic climate that create vacancy or put downward pressure on rental rates, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of

or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of debt and other financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity), and government regulations.

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

Risks Related to Asset-Backed Securities and Mortgage-Backed Securities

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

Risks Related to Distressed Securities and Situations

Investments in Underlying Funds that focus on distressed situations and/or invest in unrated or low grade debt securities of distressed assets are subject to significant risks, including, but not limited to: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Also, securities of distressed assets are generally more likely to become worthless than the securities of more financially stable assets. In addition, evaluating credit risk

for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Risks Related to Investments in Non-U.S. Securities and Emerging Markets.

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

Risks Related to Fixed-Income and Debt Securities

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

Risks Related to REITs

Private REIT structures through which certain Underlying Funds invest in real estate or real estate related securities are subject to changes in tax laws that could impact the net after-tax returns of an investment. Additionally, REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which an Underlying Fund has an interest concentrate investments in particular geographic regions or property types. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification.

Competition Risk

The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that the Adviser will be

able to locate, consummate and exit investments that satisfy its rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

Diversification Risk

Advisory Client investments will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Advisory Clients' portfolios are subject to changes in value due to changes in the market conditions of the real estate market than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments across a wider range of industries and/or sectors. Given that an Advisory Client will participate in a limited number of investments, the aggregate return of such Advisory Client may be substantially adversely affected by the unfavorable performance of even a single investment.

Leverage Risk

While Advisory Clients generally only borrow on a short-term basis (if at all) to bridge capital calls from investors, Underlying Funds, and the entities in which Advisory Clients and Underlying Funds invest, may utilize leverage in connection with implementing their respective investment strategies. Although leverage will increase investment returns if an Underlying Fund earns a greater return on the investments purchased with borrowed funds than it pays for the use of those funds, the use of leverage will decrease the returns of an Underlying Fund if it fails to earn as much on investments purchased with borrowed funds as it pays for the use of those funds.

Market Risk

The Adviser invests in developed and emerging markets so its investments are affected by macroeconomic and geopolitical developments, such as changes in interest rates, exchange rates, availability of credit, inflation rates, and economic uncertainty, as well as changes in government policies and regulations. These factors may affect the level and volatility of security prices and liquidity of the securities held by Advisory Clients and the Underlying Funds. Unexpected volatility or liquidity could impair an Advisory Client's or an Underlying Fund's profitability or result in losses.

Currency Risk

An Advisory Client's investments, and the income received by an Advisory Client with respect to such investments, may be denominated in a currency other than the Advisory Client's base currency (EUR, USD, etc.). The Advisory Client's books, however, will be maintained, and contributions to and distributions from the Advisory Client will generally be made, in the base currency. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations can adversely affect the base currency value of the Advisory Client's investments. Currency exchange rates may fluctuate significantly over short periods of time and can also be affected unpredictably by intervention by governments or central banks (or the

failure to intervene) or by currency controls or political developments in one or more jurisdictions. In addition, certain countries in which the Adviser invests may have implemented or may implement strict controls on foreign exchange which may result in artificially pegged exchange rates that distorts the results of returns on investments in such countries. An Advisory Client may incur costs or experience substantial delays when, or be prohibited from, converting one currency into another.

Liquidity Risk

Private real estate investments are generally illiquid. Investments in Underlying Funds or underlying real estate investments may be illiquid and require a long-term commitment of capital with no certainty of return. Interests in Underlying Funds held by an Advisory Client may be subject to legal and other restrictions on resale or otherwise be less liquid than other types of securities, such as publicly traded securities. These investments may be difficult to dispose of and an Advisory Client may realize a substantial loss on the sale of an illiquid investment.

Additionally, the interests in Funds have not been (and are not expected to be) registered under the Securities Act, or applicable securities laws of any U.S. state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and any other applicable securities laws or an exemption from such registration is available. There is no public market for the interests in such Funds and one is not expected to develop. An investor in an Advisory Client will not be permitted to directly or indirectly assign, sell, pledge, exchange or transfer any of its interests or any of its rights or obligations with respect to its interests without the prior written consent of the general partner (or other similar managing fiduciary) of such applicable investment vehicle, which consent may be given or withheld in accordance with the governing documents of such applicable investment vehicle.

Follow-On Investment Risk

An Underlying Fund's direct and indirect investments in operating companies may require follow-on investments. An Underlying Fund may be required to provide follow-on funding for its portfolio investments or have the opportunity to make additional investments in such portfolio investments. There can be no assurance that the Underlying Fund will have sufficient funds to make any such additional investments. Any decision by an Underlying Fund not to make follow-on investments or its inability to make them may have a negative impact on a portfolio investment in need of such an investment, which could, in turn, have a negative effect on an Advisory Client's returns.

Layered Expenses

Because the Adviser's strategy involves investing in Underlying Funds, Advisory Clients will bear expenses and pay management fees and performance-based compensation at the Underlying Fund level and generally with respect to the Adviser (or its affiliates) as well. As a result, the

aggregate amount of fees and expenses borne by an investor in an Advisory Client will be higher than if the investor had invested directly in an Underlying Fund.

Furthermore, the determination of whether the general partner of an Underlying Fund is entitled to carried interest distributions is made on a fund-by-fund basis and not in the aggregate. Therefore, carried interest in respect of one Underlying Fund is calculated and distributed without regard to the fees or performance (including negative performance) of any other Underlying Fund in which an Advisory Client has an interest. Therefore, it is possible that an Advisory Client, as a limited partner of Underlying Funds, would be required to bear carried interest in respect of one or more Underlying Funds even if the performance of an Advisory Client's investments in Underlying Funds in the aggregate (and therefore the performance of an Advisory Client) is negative.

Minority Investor Risk

An Underlying Fund's or an Advisory Client's minority direct or indirect investments in portfolio investments will subject the Underlying Fund or Advisory Client (as applicable) to actions taken by the majority holders of the securities of such portfolio investments that may not be aligned with the Advisory Client's goals. An Underlying Fund or an Advisory Client may make minority equity investments in portfolio investments where the Underlying Fund or the Advisory Client likely will not be able to control or influence such entities. In such cases, the Underlying Fund or Advisory Client will be reliant on the existing management of such portfolio investments, which may include representatives of other investors with whom the Underlying Fund or Advisory Client is not affiliated and whose interests may at times conflict with the Advisory Client's interests. The Underlying Fund and/or Advisory Client could therefore be adversely affected by actions taken by management or any majority equity holders of the portfolio companies in which they invest.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes could occur during the term of an Advisory Client that may adversely affect such Advisory Client. There is a material risk that regulatory agencies in the United States, Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private real estate investment industry, or other changes that could adversely affect private real estate investment firms and the funds they sponsor, including an Advisory Client.

Dodd-Frank Act

In July 2010, the U.S. Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") which has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Pursuant to the Dodd-Frank Act, the SEC has adopted rules that

require additional reporting by registered investment advisers, which have added costs to the legal, compliance and operational obligations of the Adviser and the Underlying Funds.

The Dodd-Frank Act affects a broad range of market participants with whom the Adviser and the Underlying Funds interact or may interact, including banks, non-bank financial institutions, rating agencies, credit unions, insurance companies and broker-dealers, futures commission merchants and swap dealers. Regulatory changes that will affect other market participants are likely to change the way in which the Adviser and Underlying Funds conduct business with counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and therefore, the continued uncertainty may make markets more volatile, and it may be more difficult to execute the investment strategy of an Advisory Client.

Alternative Investment Fund Managers Directive

The European Union Alternative Investment Fund Managers Directive (the “Directive”), as transposed into national law within the member states of the European Economic Area (the “EEA”), imposes requirements on EEA alternative investment fund managers managing or marketing alternative investment funds (“AIF”) and non-EEA alternative investment fund managers (“AIFM”) which market AIFs to professional investors within the EEA. The Adviser is expected to become in scope of the Directive’s requirements as a non-EEA AIFM, which include additional transparency, disclosure and reporting requirements to both the investors of the Funds and regulators in the EEA. In parallel, certain member states of the EEA have changed their domestic private placement rules, which may also restrict the ability of the Adviser in similar ways and/or impose additional disclosure, reporting and operational requirements in relation to certain of the Adviser’s Advisory Clients. It should be noted that the final scope and requirements of the Directive remain uncertain, and are subject to change as a result of the issuance of any further national and/or European guidance with respect to the Directive, the enactment of further European secondary legislation and/or the introduction of further national implementing legislation in relevant EEA member states. As such, the Directive and the implementation thereof by EEA member states could adversely impact certain Advisory Clients by, among other things: (i) limiting an Advisory Client’s investment opportunities and the Adviser’s operating flexibility both internally and with respect to investments made by the Advisory Client; (ii) exposing an Advisory Client and/or the Adviser to conflicting regulatory requirements in the United States and EEA; and (iii) adversely affecting an Advisory Client’s ability to carry out its investment approach and achieve its investment objectives and may materially increase the costs of doing business in the EEA.

Many Underlying Funds and their general partners will be subject to the Directive requirements as an AIF and AIFM, respectively. In addition to the risks directly applicable to the Adviser and its Advisory Clients discussed above, Underlying Funds and their general partners may also be subject to other various compliance obligations in connection with the Directive. These and other Directive obligations can have an adverse effect on Underlying Funds and their general partners by, among other things, increasing their regulatory burden and costs of raising money

and doing business in EEA jurisdictions, imposing extensive disclosure obligations on certain investment funds and portfolio companies, and disadvantaging them as bidders for and potential owners of private companies located in the EEA when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the Directive.

Foreign Account Tax Compliance Act

The U.S. Foreign Account Tax Compliance Act ("FATCA") requires all entities in a broadly defined class of foreign financial institutions ("FFIs") to comply with a complicated and expansive reporting regime or be subject to a 30% withholding tax on certain U.S. payments (and beginning in 2017, a 30% U.S. withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). Non-U.S. entities which are not FFIs also must either certify they have no substantial U.S. beneficial ownership or report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% withholding tax on certain U.S. payments (and beginning in 2017, a 30% withholding tax on gross proceeds from the sale of certain U.S. stocks and securities). FATCA also contains complex provisions requiring participating FFIs to withhold on certain "foreign passthru payments" made to non-participating FFIs and to holders that fail to provide the required information. The definition of a "foreign passthru payment" is still reserved under current regulations. However, the term generally refers to payments that are from non-U.S. sources but that are "attributable to" certain U.S. payments and gross proceeds described above. Withholding on these payments is not set to apply until 2017. In general, these requirements apply to non-U.S. investment funds, such as any non-U.S. investment vehicle sponsored and advised by the Adviser. Among other things, FATCA compliance requires FFIs to obtain and review appropriate due diligence information with respect to certain existing and prospective investors. In addition, the reporting obligations imposed under FATCA require FFIs to enter into agreements with the U.S. Internal Revenue Service (the "IRS") to obtain and disclose information about certain investors to the IRS or, if subject to an intergovernmental agreement (an "IGA"), register with the IRS. IGAs are generally intended to result in the automatic exchange of tax information through reporting by an FFI to the government or tax authorities of the country in which such FFI is domiciled, followed by the automatic exchange of the reported information with the IRS. In the event FFIs are unable to comply with the preceding requirements, certain payments made to the FFIs may be subject to a 30% U.S. withholding tax, which would reduce the cash available to investors. These U.S. and foreign reporting requirements may apply to underlying entities and investors who are FFIs and the general partner (or similar managing fiduciary) has no control over whether such entities or investors comply with the reporting regime. Prospective investors in any investment vehicle sponsored by the Adviser should consult their own tax advisors regarding all aspects of FATCA as it affects their particular circumstances.

Risks Relating to Taxation in Other Jurisdictions

If an Advisory Client makes investments in a jurisdiction outside the United States, such Advisory Client or its investors (as applicable) may be subject to income or other tax in that jurisdiction. Additionally, withholding tax or branch tax may be imposed on earnings from

investments in such jurisdictions. In addition, local tax incurred in non-U.S. jurisdictions by an Advisory Client or vehicles through which it invests may not be creditable to or deductible by investors. Income or gains of an Advisory Client may be subject to withholding, income, net wealth or other tax in the jurisdictions where its investments are located.

Geographic Concentration Risks

Certain Advisory Clients require that the Adviser focus their investments in a particular geographic region and therefore will be particularly vulnerable to events affecting companies in such region. The economy of a particular country in which a geographically focused fund may invest is influenced by economic and market considerations in other countries in the relevant region. Investors' reactions to events in one country can have adverse effects on the securities of companies and the value of property and related assets in other countries in which a geographically focused fund may invest. The performance of a geographically focused Advisory Client may be worse than the performance of other Advisory Clients that invest more broadly geographically.

Valuation Risks

There is no established market for the interests in the Underlying Funds held by Advisory Clients. Additionally, the Co-Investments held by Advisory Clients are typically also privately held securities for which no established market exists. Generally, the Adviser relies on the valuation provided by each Underlying Fund's general partner with respect to an Advisory Client's interest in the related Underlying Fund or co-investment.

Risks Relating to Disposition of Investments

In connection with the disposition of an investment in real estate assets, an Advisory Client or an Underlying Fund may be required to make representations and warranties about the condition of such investment typical of those made in connection with the sale of real estate assets generally. The Advisory Client or Underlying Fund may also be required to indemnify the purchasers of such real estate assets to the extent that any such representations or warranties turn out to be inaccurate or misleading. Exit strategies that initially appear to be viable may be precluded over time due to economic, legal, political or other factors. As a result, the sale of an Advisory Client's or Underlying Fund's investments may be at substantial discounts and/or otherwise disadvantageous terms.

Vintage Year Concentration Risks

Due to their long-term nature, private real estate funds are exposed to market cycles that can result in final returns that vary substantially over vintage years. Additionally, fundraising by Underlying Fund sponsors and volume of investment activity frequently follow counter-cyclical patterns, which can impede proper diversification over time. There can be no assurance that the Adviser can adequately diversify a private real estate portfolio over vintage years and, as a

result, an Advisory Client's investment portfolio may become overly concentrated in one or more vintage years, which may adversely affect performance.

Risks Related to Hedging

While the Adviser does not typically engage in any hedging transactions on behalf of its Advisory Clients, it may elect to do so from time to time. Additionally, an Underlying Fund may engage in hedging transactions. There can be no assurance that a particular hedge will be appropriate or effective. Further, while both an Advisory Client and/or an Underlying Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Advisory Client's investment portfolios than if the Advisory Client or such Underlying Fund did not engage in any such hedging transactions.

Access to Information Risks

Due in part to the fact that potential investors in an Advisory Client may ask different questions and request different information, the Adviser or its affiliates may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners in the Advisory Client. Investors' rights to information regarding an Advisory Client will be specified, and strictly limited, in such Advisory Client's governing documents.

Holding Period Risk

An Advisory Client may make investments which cannot be advantageously disposed of prior to the date such Advisory Client will be dissolved, either by expiration of its term or otherwise. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to investors will occur.

Risk of Limited Number of Investments

An Advisory Client typically will participate in a limited number of investments and, as a consequence, the aggregate return of such Advisory Client can be substantially adversely affected by the unfavorable performance of even a single investment. In addition, other than as set forth in the applicable Advisory Client's governing documents, investors have no assurance as to the degree of diversification of an Advisory Client's investments, either by geographic region, industry or transaction type.

Indemnification

Each Advisory Client and Underlying Fund generally will be required to indemnify its general partner (or similar managing fiduciary), its investment adviser, their affiliates and each of their respective members, officers, directors, employees, consultants, advisors, senior advisors, stockholders, shareholders, partners and other persons who serve at the request of its general partner on behalf of such investment vehicle for liabilities incurred in connection with the affairs of such Fund or Underlying Fund, as applicable. The Adviser, as well as sponsors of

Underlying Funds, typically engage placement agents and other similar finders and consultants in connection with the offering of interests in an Advisory Client or Underlying Fund (as applicable) and, to the extent permitted by such Advisory Client's or Underlying Fund's governing agreements, causes such Advisory Client or Underlying Funds to indemnify such agents, finder or consultants. Where applicable, members of an limited partner advisory committee of a Fund or Underlying Fund will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Fund's or Underlying Fund's governing documents. As a result of the provisions contained in the governing agreement of an Advisory Client or Underlying Fund, an Advisory Client or investors in such Fund or Underlying Fund may in certain cases have a more limited right of action against the general partner than it would in the absence of such limitations.

Cyber Security Breaches and Identity Theft

The Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and its Advisory Clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) in an Advisory Client. Such a failure could harm the Adviser's reputation, subject the Adviser and its Advisory Clients to legal claims and otherwise affect their business and financial performance.

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 the evaluation of the adviser or the integrity of the adviser's management. The Adviser does not have any disciplinary information applicable to this Item 9 to disclose.

Item 10. Other Financial Industry Activities and Affiliations

Affiliated Advisers and Other Affiliations

Affiliated Sub-Advisers

The Adviser is under common control with two affiliates, CECF and CAIA, each of which is established outside of the United States and assists the Adviser in rendering investment advice. Each of CECF and CAIA has employees who are dedicated solely to the Adviser and its business. These personnel identify, evaluate and monitor investment opportunities and investments in the non-U.S. jurisdictions in which they are located solely to advise the Adviser on investment opportunities in respect of an Advisory Client. Such personnel are also subject to the Adviser's supervision and oversight, including the Adviser's compliance policies and procedures.

Pursuant to reliance on SEC staff interpretation, CECF and CAIA are treated as "participating affiliates" of the Adviser. The Adviser subjects each of the participating affiliates and their respective relevant employees to the Adviser's regulatory oversight and the Code of Conduct (see Item 11 below), together with its other compliance policies and procedures, including books and records maintenance, as adopted pursuant to the requirements of the Advisers Act, as applicable (in addition to applicable local laws and regulations). In addition, each of CECF and CAIA is a participating affiliate of CIM, and as such is also subject to CIM's supervision and oversight.

The Carlyle Group

The Adviser is affiliated with CIM, a Carlyle affiliate and separately registered investment adviser under the Advisers Act. CIM provides investment advisory services, either directly or through sub-advisory arrangements, to various Carlyle-sponsored investment vehicles and managed accounts. CIM may manage investment vehicles or client accounts that in turn invest in an Advisory Client managed by the Adviser.

The Adviser is also affiliated with AlpInvest, a private equity fund-of-funds adviser, and DGAM, a fund of hedge funds adviser, each of which is wholly owned by Carlyle. Like the Adviser, both AlpInvest and DGAM are part of the Investment Solutions business segment. Each of AlpInvest and DGAM is separately registered under the Advisers Act as an investment adviser.

TCG Securities, L.L.C. ("TCG Securities"), an affiliate of CIM and the Adviser, is licensed as a broker-dealer with respect to the offer and sale of interests in private investment vehicles (which includes one or more Advisory Clients). The Adviser has entered into a non-exclusive placement agent agreement with TCG Securities to solicit prospective investors for Advisory Clients. The Adviser has also entered into complementary arrangements with certain of TCG Securities' non-U.S. affiliates to provide marketing services in certain non-U.S. jurisdictions.

When registered representatives of TCG Securities provide services to the Adviser thereunder, such persons will be subject to the policies and procedures of TCG Securities when engaged in securities-related activities in addition to applicable policies and procedures of CIM. TCG Securities does not intend to act as a broker-dealer or agent for transactions made on behalf of affiliated, private investment vehicles and does not intend to hold funds or securities for, or owe money or securities to, its clients generally. Additionally, Carlyle holds, and may acquire, ownership stakes in one or more other broker-dealers. Although deemed to be highly unlikely, the Adviser may execute trades through such Carlyle-affiliated broker-dealers. In such a case, the Adviser will execute trades in all cases consistent with its duty to seek best execution. See “Item 12 – Brokerage Practices” below for additional information.

Carlyle is a global alternative asset management firm with business operations across several business segments. Although the Adviser is a separately-registered investment adviser and primarily carries out its investment operations independently of Carlyle (including CIM, Alpinvest, DGAM and other Carlyle-affiliated investment advisers), the Adviser’s status as part of the larger Carlyle organization raises certain actual and potential conflicts of interest, as discussed below. Further, the Adviser shares or leverages certain operational functions and resources at Carlyle, such as corporate accounting, information technology, and compliance.

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

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

Please see “Conflicts of Interest — Other Potential Conflicts” for more information on potential material conflicts of interest with Carlyle.

For the purposes of this brochure, references to the “Adviser” include its participating affiliates specified above, but do not include references to Alpinvest, DGAM, CIM, TCG Securities or Carlyle. For additional information regarding any of CIM, Alpinvest or DGAM, including persons related to such advisers that may act as investment advisers or sub-advisers or commodity pool

operators please see Part 2 of Form ADV of such particular investment adviser, available at: <http://www.adviserinfo.sec.gov/>.

David Nasaw

David G. Nasaw, a co-founder of the Adviser, currently serves as a consultant to the Adviser and is a member of the Adviser's Investment Committee. Mr. Nasaw also serves as President of Metropolitan Asset Advisors, Inc. ("MAA"), which provides sub-advisory services to other investment advisers that advise their clients on real estate investments (but is neither an affiliate of nor a sub-adviser to the Adviser). Additionally, Mr. Nasaw serves as a director for Sutter Health, a not-for-profit health system in Northern California, headquartered in Sacramento, California ("Sutter Health"), and is a member of Sutter Health's investment committee.

Since Mr. Nasaw's work at MAA and Sutter Health may relate to or overlap with the business opportunities of the Adviser (e.g., evaluating managers and other private real estate opportunities for potential investment), a potential conflict of interest may exist in certain situations where Mr. Nasaw is reviewing investment opportunities for the Adviser, MMA and/or Sutter Health. In such situations, the Adviser will endeavor to take certain steps and procedures to ensure that each instance is documented in order to demonstrate that the Adviser has relied solely on the relevant merits of the investment opportunity as such relates to a particular Advisory Client, which may include recusal by Mr. Nasaw from participating in a discussion and/or vote on a specific investment decision being considered by the Adviser's Investment Committee. Mr. Nasaw's consulting fee is borne by the Adviser and not by any Advisory Clients.

Other Related Persons

Related persons of the Adviser act as general partner (or similar managing fiduciary) of Funds or other investment vehicles in which the Adviser's advisory clients participate and, to the extent not otherwise exempt from registration as an adviser with the SEC, conduct their activities in accordance with the Advisers Act and the rules thereunder and in reliance on the Adviser's registration under the Advisers Act as associated persons of the Adviser.

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

Code of Ethics

The Adviser is subject to Carlyle's Code of Conduct (the "Code"), which sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. Among other things, the Code prescribes standards for dealing with clients ethically, addresses conflicts of interest issues, and supplements personal trading and operating procedures. The Code provides guidance in specific areas, including but not limited to, confidentiality of information, personal investments, gifts and entertainment and personal political activities. The Code is available to clients, investors or prospective clients by writing to Metropolitan Real Estate Equity Management, 650 Fifth Avenue, 29th Floor, New York, New York 10019, Attn: Investor Relations.

The Adviser has also adopted policies and procedures to implement the pay-to-play regulations promulgated by the SEC (the "Pay-to-Play Policy"). In addition, the Adviser is subject to the New York Attorney General's Public Pension Fund Reform Code of Conduct adopted by Carlyle. Such code of conduct governs the Adviser's interactions with public pension funds in the United States and, among other matters, (i) bans the use of outside placement agents and lobbyists in connection with obtaining investments from such public pension funds, (i) bans certain campaign contributions in the United States and (iii) provides for increased disclosure, strengthened employment, confidentiality and gift policies, and conflicts of interest procedures as they relate to public pension funds in the United States. This code of conduct is available to current and prospective investors by writing to the address noted above.

The Adviser may take disciplinary measures against any of the Adviser's personnel who violate the Code or the Pay-to-Play Policy, including, without limitation, imposing penalties or fines, reducing compensation, demotion, requiring unwinding of any applicable trade, requiring disgorgement of trading gains, suspending or terminating employment, or any combination of the foregoing. The Adviser's personnel are also required to promptly report any violation of the Code or Pay-to-Play Policy of which they become aware.

Participation or Interest in Client Transactions

The Adviser, its affiliates and equity owners (including Carlyle), and certain of their respective professionals invest in or alongside certain Advisory Clients. Management Fees and Carried Interest on such investments may be substantially reduced or, as is more typical, waived altogether for these investors. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Conflicts of Interest

The Adviser and certain of its related entities engage in a broad range of activities, including investment activities for their own account, and providing transaction-related, investment advisory, management and other services to Advisory Clients. In the ordinary course of conducting its activities, the interests of an Advisory Client may conflict with the interests of the Adviser or other Advisory Clients. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Advisory Client with respect to the immediate issue and/or with respect to the Advisory Client's longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest.

- The Adviser will not make an investment with respect to an Advisory Client unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Advisory Client.
- Many important conflicts of interest will generally be resolved by established procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents, or the relevant investment advisory agreement, for the applicable Advisory Client.
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an unaffiliated investment banker to opine as to the fairness of a purchase or sale price.
- The Adviser and certain of its affiliates have adopted written policies establishing information "walls" designed to limit communication of commercially sensitive information. These policies restrict the dissemination of proprietary or confidential information. In addition, these policies establish procedures to guard against unlawful and inappropriate disclosure of material, nonpublic information.

Conflicts

The material conflicts of interest encountered by the Adviser with respect to its Advisory Clients include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by the Adviser. Other material conflicts may be disclosed throughout this brochure and this brochure should be read in its entirety for other conflicts.

Allocations of Investment Opportunities and Expenses

The Adviser is often presented with investment opportunities that fall within the investment objectives and strategies of multiple Advisory Clients. In such circumstances, except as otherwise provided in the agreements under which an Advisory Client was established (such as a Fund's limited partnership agreement or private placement memorandum, the investment advisory agreement with an Advisory Client, and/or side letters with Fund investors), the Adviser will allocate such opportunities among such Advisory Clients (including, without limitation, an allocation of 100% of such an opportunity to a single Advisory Client) on a basis that the Adviser determines in good faith to be fair and reasonable in accordance with its allocation policies and procedures in effect from time to time. Typically, the Adviser seeks to allocate investment opportunities among eligible Advisory Clients on a fair and equitable basis such that each eligible Advisory Client is allocated its pro rata share based on such Advisory Clients' relative total capital commitments from its investors. However, the allocation of any particular investment opportunity among eligible Advisory Clients may be done differently by taking into account other relevant factors, such as: (i) an Advisory Client's investment objectives and model portfolio targets, including minimum and maximum investment size requirements; (ii) the composition of an Advisory Client's portfolio; (iii) the nature of any requirements or constraints placed on such investment opportunity (e.g., requirements or conditions imposed by an Underlying Fund's general partner); (iv) the amount of capital available for investment by an Advisory Client; (v) an Advisory Client's liquidity and reserves; (vi) tax implications; and (vii) any other relevant limitations imposed by, or conditions set forth in, the applicable offering and organizational documents of each Fund or other agreements applicable to an Advisory Client. Therefore, investment opportunities may be available for the participation of several Advisory Clients at any given time, which may result in Advisory Clients not participating in one or more investment opportunities or participating in an investment opportunity to a lesser or greater extent than would otherwise be the case.

In addition, certain affiliates and personnel of the Adviser will invest directly or indirectly in or with Advisory Clients and will therefore participate in investments made by such Advisory Clients. Such interests will vary Advisory Client by Advisory Client. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to an Advisory Client.

From time to time, an investment opportunity may be of such significant size (e.g., a large secondaries transaction) that the Adviser determines that its eligible Advisory Clients for whom it has discretionary investment authority should not or cannot accept the full amount available. In such cases, the Adviser may have the ability to influence or control the allocation of such excess or co-investment opportunity. Typically, however, the ultimate determination of who gets access to any such excess or co-investment opportunity is in the sole control of the general partner of an Underlying Fund, and in this case the Adviser's role is to negotiate the best terms for its participating Advisory Clients and to provide a suitable list of potential co-investors to the Underlying Fund's general partner.

Subject to any restrictions or requirements contained in any agreements with and/or organizational documents of an Advisory Client, or any side letter negotiated with respect to a Fund investor, the Adviser may, in its sole discretion, include certain Advisory Clients, prospective Advisory Clients (and prospective Fund investors) and/or other third parties on its list of potential co-investors to the general partner of the underlying fund or lead sponsor involved in the transaction for its review and consideration. The Adviser will consider a number of factors in determining which parties to approach for any such excess or co-investment opportunity, including (without limitation) any interest expressed by such party to participate in these types of investment opportunities, the financial resources and capabilities of such party, and confidentiality, legal and/or regulatory issues. Absent any written contractual arrangements, the Adviser does not purport to have any duty or other fiduciary obligation to give any Advisory Client or Fund investor access to any excess or co-investment opportunity.

Advisory Clients may only bear costs and expenses to the extent provided in the agreements under which an Advisory Client was established (such as a Fund's limited partnership agreement or private placement memorandum, the investment advisory agreement with an Advisory Client, and/or side letters with Fund investors). Typically, the investment advisory agreement and/or Fund partnership agreement relating to such Advisory Client will stipulate what costs and expenses can be borne by the Advisory Client. Generally, all investment-related costs (including broken deal costs) will be allocated across relevant Advisory Clients pro rata based on their relative participation interest (or anticipated relative participation) in the subject investment. The Adviser may allocate other types of shared Advisory Client expenses on another basis (e.g., relative net asset value) as determined to be fair and reasonable in the particular circumstance and in accordance with the Adviser's policies and procedures.

Cross-Transactions

In certain cases, the Adviser may cause an Advisory Client to purchase investments from another Advisory Client, or it may cause an Advisory Client to sell investments to another Advisory Client (e.g., to rebalance an Advisory Client's portfolio, to take into account an Advisory Client's cash flows or to comply with applicable investment guidelines and restrictions of an Advisory Client). Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, an Advisory Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Advisory Client by selling underperforming assets to another Advisory Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in an Advisory Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive Management Fees or other fees in connection with their management of the relevant Advisory Clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Advisory Clients.

To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the investment restrictions and requirements set forth in the offering or organizational documents related to the relevant Advisory Clients, which may in certain circumstances include obtaining the consent of the Advisory Client or investors in a Fund. To the extent such matters are not addressed in such materials, the Adviser's Chief Compliance Officer (or his respective designees) will be responsible for confirming that the Adviser (i) considers its respective duties to each Advisory Client and (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third-party. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction and the Adviser will not effect any such transaction for any Advisory Client where the Adviser (together with its employees and affiliates) may be deemed to own more than 25% of the Advisory Client, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the investment adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction.

The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Advisory Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

Management of Funds and other Advisory Clients

The Adviser provides services to a number of Advisory Clients that may have investment objectives similar to each other. The Adviser may in the future obtain additional advisory clients, including establishing one or more additional Advisory Clients, with investment objectives substantially similar to, or different from, those of the Adviser's current Advisory Clients. Allocation of available investment opportunities between existing and future advisory clients could give rise to conflicts of interest. In addition, it is expected that the Adviser's personnel responsible for advising a particular Advisory Client will have responsibilities with respect to multiple Advisory Clients. The Adviser expects that its personnel will devote as much time as they believe is necessary to assist an Advisory Client in achieving its investment objective; however, none of such individuals will devote substantially all of his or her working time to the affairs of any particular Advisory Client. Conflicts of interest may arise in allocating time, services or functions of such personnel.

Conflicts Relating to Affiliates of the Adviser

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

The Adviser generally may, in its discretion, recommend to an Advisory Client (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the Adviser or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Because certain expenses are paid for by an Advisory Client or, if incurred by the Adviser, are reimbursed by an Advisory Client, the Adviser may have an incentive not to seek out the lowest cost options when incurring (or causing an Advisory Client to incur) such expenses. The Adviser will seek to act in the best interests of the Advisory Clients when incurring expenses.

Fee Structure

As discussed above in Item 6, the Adviser (or, in some cases, the general partner or special limited partner of a Fund, which is an affiliate of the Adviser) is entitled to Carried Interest under the terms of the investment advisory agreement with, or the limited partnership agreement (or similar organizational documents) of, an Advisory Client, which is based on the performance of the Advisory Client. The existence of the Adviser's, general partner's or special limited partner's performance-based allocation may create an incentive for the Adviser (or a general partner) to cause an Advisory Client to make more speculative investments than it would otherwise make in the absence of performance-based allocations.

Diverse Membership; Side Letter Rights

Investors in the Funds are expected to include U.S. taxable and tax exempt entities, and entities organized in jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in an Advisory Client. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by an Advisory Client, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations.

In selecting and structuring investments appropriate for an Advisory Client, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Advisory Client and the investors as a whole, not the investment, tax or other objectives of any investor individually.

The general partner (or similar managing fiduciary) of a Fund often will enter into side letters or other similar agreements with investors in connection with their admission to such Fund without the approval of any other investor. The side letters or other similar agreements have the effect of establishing rights under, altering or supplementing the terms of the governing documents of such Fund with respect to one or more such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter may include, without limitation, (i) fee arrangements with respect to such investors; (ii) excuse rights applicable to particular investments; (iii) reporting obligations of the applicable general partner (or similar managing fiduciary); (iv) waiver of certain confidentiality obligations; (v) consent of the applicable general partner (or similar managing fiduciary) to certain transfers by such investor; (vi) special rights with respect to co-investment; or (vii) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor.

Except as otherwise agreed with an investor, the general partner (or similar managing fiduciary) of a Fund does not have an obligation to give any investor in such Fund notice of any side letters entered into by such general partner with any other investor in such Fund. However, subject to confidentiality obligations, the general partner (or similar managing fiduciary) will, upon request, make available copies of all side letters or a compendium containing the provisions of any such side letters, which may be redacted of any identifying information. Such copies or compendium may be made available to an investor only after such investor has been admitted to such Fund.

Possession of Material, Non-Public Information and other Trading Restrictions

The Adviser espouses a management philosophy of collaboration and information sharing among investment professionals to create a unified global network. The Adviser, its affiliates, and their professionals may come into contact with material, non-public information in connection with their dealings with the Adviser, Carlyle, CIM, Alpinvest, DGAM or their affiliates. The Adviser has established policies and procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Under no circumstances may a professional trade in a security while in possession of material, non-public information about that security for his or her own account, the accounts of certain family members or the account of an Advisory Client. The Adviser is subject to various information barriers to segregate the flow of material, non-public information between the various Carlyle business segments, and specifically in the case of Investment Solutions, to segregate the flow of non-public, commercially sensitive information.

Other Potential Conflicts

The Adviser and its Advisory Clients will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent an Advisory Client may be investors in the Advisory Client, and from time to time also represent one or more Underlying Funds, underlying portfolio investments of or investors in an Advisory Client. In the event of a significant dispute or divergence of interest between Advisory Clients, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser may engage other common service providers for itself as well as one or more Advisory Clients. In such circumstances, there may be a conflict of interest between the Adviser and such Advisory Client in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such service providers if it receives a benefit from them (such as lower fees) that it would not receive absent the engagement of such service provider by such Advisory Client.

The terms of a partnership agreement (or similar organizational documents) of an Advisory Client are often highly negotiated and customized for the Advisory Client or investors in a Fund. Accordingly, the terms of such agreements can vary significantly even though other or prior Advisory Clients may have substantially similar investment strategies. For example, an investor in an Advisory Client that commits significant capital may be offered preferential terms (including breaks on fees) compared to another investor in an Advisory Client that has committed a lesser amount. Such preferential terms are typically not offered to every investor in an Advisory Client.

The terms of a partnership agreement (or similar organizational documents) of a Fund or of an investment advisory agreement with an Advisory Client establish complex arrangements among the parties. Questions may arise from time to time under these agreements regarding the parties' rights and obligations in certain situations, many of which may not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there may not be a provision directly applicable to the situation. While the Adviser will construe the relevant agreements in good faith and in a manner consistent with the legal obligations of the Adviser, the interpretations adopted may not be, and need not be, the interpretations that are the most favorable to the Fund or an Advisory Client.

The partnership agreements (or similar organizational documents) of certain Advisory Clients may permit the general partner of each such Advisory Client to cause such Advisory Client to distribute such general partner's share of securities resulting from an investment disposition by such Advisory Client to such general partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general

partner and the limited partners of the applicable Advisory Client, because the general partner may have an incentive to cause the Advisory Client to exit an investment at a time that could result in limited partners receiving a lesser return on such investment than would be the case if the general partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners).

The partnership agreements (or similar organizational documents) of certain Advisory Clients may permit the Adviser, or its affiliates, to lend money to the applicable Advisory Client. Such lending arrangements create conflicts of interest between the Adviser or its affiliate and the Advisory Client acting as borrower.

The partnership agreements (or similar organizational documents) of certain Advisory Clients may permit the Adviser or a Fund's general partner to withhold information from the Advisory Client or certain investors in a Fund certain circumstances. For instance, information may be withheld from limited partners of a Fund that are subject to Freedom of Information Act or similar requirements. The Adviser or a Fund's general partner may elect to withhold certain information from such Advisory Client or investors in a Fund for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such Advisory Client or investors in a Fund of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Advisory Clients or other persons.

Carlyle maintains a one-way information barrier between Investment Solutions (which includes the Adviser), on the one hand, and the other business segments of Carlyle, on the other hand. The Investment Solutions information barrier restricts the flow of certain non-public, commercially sensitive information from Investment Solutions to the other Carlyle business segments, other than for certain regulatory, reporting and similar purposes. The Investment Solutions information barrier also operates to maintain investment management independence between the Adviser, operating as a member of Investment Solutions, and the other business segments of Carlyle. Consistent with the investment management independence of the Adviser, investment collaboration between the Adviser's personnel and other Carlyle personnel is generally subject to restrictions. In addressing the misuse of material non-public information, Carlyle and the Adviser maintain a shared restricted trading list for their personnel and advisory clients, except that the Carlyle Global Market Strategies segment maintains a separate restricted trading list for its advisory clients. In addition, as part of the Investment Solutions business segment, the Adviser is subject to other information barriers established by Carlyle, such as the information barrier between Carlyle's Global Market Strategies business segment, on the one hand, and Carlyle's Corporate Private Equity, Real Assets and Investment Solutions business segments, on the other hand.

Where permitted under the specific legal and/or organizational documents of an Advisory Client, such Advisory Client may invest in entities or assets in which other advisory clients of

CIM or other Carlyle-affiliated investment advisers (*e.g.*, pooled investment vehicles and managed accounts) have or are concurrently making a separate investment and, likewise, advisory clients of CIM or other Carlyle-affiliated investment advisers may invest in entities or assets in which an Advisory Client has an existing investment or are concurrently making an investment. In such situations, such Advisory Client and other Carlyle entities may have conflicting interests (*e.g.*, over the terms of their respective investments). In a bankruptcy proceeding, an Advisory Client's interests may be subject to enhanced scrutiny, subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of Carlyle relating to the company involved in the bankruptcy proceeding.

From time to time, certain Advisory Clients are expected to provide capital to, or otherwise co-invest alongside, certain Underlying Funds or other accounts or investments managed or advised by third-party sponsors. The strategies of such sponsors have historically overlapped with the investment strategies of the advisory clients managed by other Carlyle-affiliates, such as CIM. It is therefore likely that the Adviser will create additional competition in the market or independently consider the same investment opportunities as such Carlyle advisory clients, and thereby, on any given occasion, compete directly or indirectly with Carlyle for the same or similar investment opportunities.

In addition, the Adviser may cause an Advisory Client to (or recommend that an Advisory Client) hold, if permitted under its investment restrictions, interests in one or more Carlyle funds or co-investment opportunities. Given the relationship between the Adviser and Carlyle, the Adviser may be incentivized to invest in (i) Carlyle-sponsored Underlying Funds or investments, as opposed to Underlying Funds or investments sponsored or managed by potential competitors of Carlyle or (ii) certain Carlyle-sponsored funds or investments over other Carlyle-sponsored funds or investments, including where such funds or investments have differing levels of fees or have different relative capital needs. Any such investment by an Advisory Client are expected to be made on arm's-length terms (or otherwise consented to or approved by the relevant Fund investors), subject in any case to the Investment Solutions information barrier and the confidentiality restrictions arising from particular fund or vehicle agreements, as well as the Adviser's applicable fiduciary duties to the Advisory Client.

Further, transactions involving the purchase (or sale) of securities by an Advisory Client from (or to) an affiliate of Carlyle may constitute a cross-trade or a principal transaction in certain circumstances. Accordingly, prior to any potential cross-trade or principal transaction involving an Advisory Client, the Adviser will determine whether or not the trade would constitute a cross-trade or principal transaction, and if so, that all required notice and consent requirements have been satisfied.

Item 12. Brokerage Practices

As the Adviser's Advisory Clients primarily invest in private real estate funds and their real estate portfolio investments, the Adviser anticipates that any investment in publicly traded securities would be an extraordinarily rare occurrence. However, to meet its fiduciary duties to its Advisory Clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities, including seeking "best execution" for the transaction, taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

Item 13. Review of Accounts

The investment portfolios of Advisory Clients are generally private, illiquid and long-term in nature, and accordingly the Advisor's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors its Advisory Clients' investments. The holdings in each Advisory Client portfolio are monitored by the Adviser's investment professionals. In addition, the activity of each Advisory Client and its Underlying Fund investments and direct investments is monitored and reviewed periodically during the life of each investment.

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

Advisory Clients and investors in a Fund typically receive quarterly financial reports and audited annual reports. Any other reports to Advisory Clients or Fund investors are based on the terms of the applicable partnership agreement (or similar organizational documents) of the applicable Advisory Client.

Item 14. Client Referrals and Other Compensation

The Adviser and its affiliates may enter into cash compensation arrangements with affiliated or unaffiliated placement agents or third parties for introducing investors to the Adviser and its Advisory Clients. To the extent applicable, all such agreements are, or with respect to future agreements will be, made in accordance with Rule 206(4)-3 under the Advisers Act. Any sales charge associated therewith will ultimately be payable by the Adviser or its affiliates, either directly or through an offset of the management fee payable by the relevant Advisory Client. In accordance with the Adviser's policies, no investor may bear any portion of any fee paid to any third-party solicitor with respect to such investment (whether in the form of higher management fees or other types of fees) without the consent of the approval of the Adviser's Chief Compliance Officer.

Item 15. Custody

The Adviser uses unaffiliated, qualified, third-party custodians to hold the cash and securities of Advisory Clients in a manner that it believes complies with current regulatory requirements, including SEC Staff guidance. For example, these qualified custodians maintain the client assets in a manner that segregates them from assets for other clients of the custodian.

The Adviser is deemed to have custody of its Advisory Clients' cash and securities. The Adviser relies on an exception available to "pooled investment vehicles" from the reporting and surprise audit obligations imposed by the SEC's custody rule by causing the Advisory Clients' financial statements to be audited annually by a recognized independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board. The audited financial statements are distributed to the respective investors in an Advisory Client, typically within 180 days (or sooner if required) after the Advisory Client's fiscal year end.

In addition, in connection with the final liquidation of an Advisory Client, the Adviser will obtain a final audit and distribute the audited financial statements to such Advisory Client's investors promptly after completion of the audit.

Item 16. Investment Discretion

Investment advice is provided directly to Advisory Clients, subject to the direction and control of the Investment Committee, and not individually to the investors in any Funds. Services are provided to Advisory Clients in accordance with the applicable investment advisory agreement and/or partnership agreement (or analogous organizational documents) for an Advisory Client. Investment restrictions for Advisory Clients are generally established in the applicable investment advisory agreement and/or partnership agreement (or analogous organizational documents). In the case of a Fund, an affiliate of the Adviser will typically act as the general partner of such Fund and accept discretionary investment authority for such Fund. The Adviser, in turn, is retained as investment adviser in order to provide advice with respect to the Fund's investments. Generally this discretion is subject only to the investment guidelines set forth in the partnership agreement (or similar organizational documents) of the Fund, which generally expressly provide that the general partner has the authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

Item 17. Voting Client Securities

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

Investors may obtain information regarding proxy voting, including the Adviser's policies and procedures, by writing to Metropolitan Real Estate Equity Management, 650 Fifth Avenue, 29th Floor, New York, New York 10019, Attn: Investor Relations.

Item 18. Financial Information

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. At this time, the Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to any Advisory Client. The Adviser has not been the subject of any bankruptcy petitions, including in the past 10 years.

Additional financial information is also available in current public filings with the SEC for The Carlyle Group L.P. (see www.carlyle.com, go to the “Financial Information” portion of the “Public Investors” page).