

Galaxy Investment Management, LLC

**Form ADV Part 2A
Disclosure Brochure
November 13, 2019**

511 RXR Plaza
Uniondale, NY 11556
<http://www.galaxy-funds.com>

This Brochure provides information about the qualifications and business practices of Galaxy Investment Management, LLC (“**GIM**”) as well as of its affiliated “relying advisers”, Galaxy Realty Capital, LLC and Galaxy Realty Capital Holdings, LLC (collectively, the “**Relying Advisers**”).

If you have any questions about the contents of this Brochure, please contact us at compliance@galaxy-funds.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about GIM and the Relying Advisers is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Item discusses material changes that are made to this Brochure since the last update and provides a summary of those changes. Our last update was February 20, 2019. We are amending this Brochure to reflect our change of address on the cover page from 626 RXR Plaza, 6th Floor, West Tower, Uniondale, NY 11556 to 511 RXR Plaza, Uniondale NY 11556.

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

You may request a copy of our Brochure by contacting us at compliance@galaxy-funds.com.

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Item 4: Advisory Business

A. Description of the Firm

GIM and its Relying Advisers are Delaware limited liability companies established in 2014 and are primarily controlled by Mr. Seth B. Lipsay. The Relying Advisers are in a control relationship with GIM, are subject to a unified compliance program and are relying on GIM's registration under the Investment Advisers Act of 1940 (the "**Advisers Act**") and are not separately registering themselves. GIM together with the Relying Advisers and the general partners to the Private Funds (as defined below) are collectively referred to herein as "**Galaxy**" or "**we**" or "**us**" or "**our**").

Galaxy is comprised of a team of seasoned professionals with nearly 100 years of combined experience in commercial real estate lending and investing, with an average of 23 years of experience for the leadership team.

B. Types of Advisory Services

We specialize in real estate investment advisory and management services. We are not currently involved in investments which are not related to real estate.

We currently act as the investment manager providing discretionary investment management services to the following two privately offered pooled investment vehicles (collectively, the "**Private Funds**"):

1. Sterling Realty Finance, LP ("**Fund I**")
2. Sterling Realty Finance II, LP ("**Fund II**")

We may form and act as investment manager or sub-adviser to similar privately offered pooled investment vehicles in the future (the "**Affiliated Funds**").

In addition to the foregoing, we or an affiliate currently serve and may serve in the future as the investment manager to a number of special purpose vehicles through which the Private Funds invest. We generally form special purpose vehicles to facilitate portfolio investments by the Private Funds for tax, legal, regulatory, or economic purposes.

We may also establish parallel and/or feeder funds or other entities through which limited partners in Fund II may, directly or indirectly, make their capital contributions where, in our reasonable determination, such arrangements are expected to preserve in all material respects the overall economic relationship of such limited partners, taking into consideration applicable legal, tax, regulatory or other considerations.

We may also direct that one or more limited partners in Fund II make all or a portion of their capital contributions for certain investments through one or more alternative investment vehicles, if we determine that doing so would facilitate participation in such investments or allow Fund II or its limited partners to address tax inefficiencies or other legal, tax, regulatory or other considerations.

We may offer co-investment opportunities to certain of the limited partners in Fund II and other third-parties, in each case, on such terms and conditions as we determine in our sole and absolute discretion, but have no obligation to do so.

The Private Funds were established to make investments in a diversified portfolio of debt and preferred equity instruments secured directly or indirectly by commercial real estate located within North America, with a majority located within the United States. See Item 8 for more information with respect to the investment strategies of the Private Funds.

The Private Funds are not registered as investment companies under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and are, therefore, not subject to various provisions of the Investment Company Act. Shares or interests in the Private Funds are not registered for sale under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and are instead sold to qualified investors on a private placement basis.

The services we provide to the Private Funds, in the capacity as the investment manager and/or general partner include: organizing and managing the Private Funds’ business affairs; acquiring, financing and disposing of investments; preparing financial statements; preparing tax related schedules; and providing investor relations functions such as drafting, printing and distributing correspondence to limited partners and prospective limited partners.

Galaxy or affiliates of Galaxy may also provide services to the Private Funds or any subsidiary vehicle through which the Private Funds invest, including, without limitation, loan origination and servicing, and receive fees from the Private Funds in exchange for providing such services. Any fees paid with respect to such services will be at least as favorable to the Private Funds as those generally available from similarly experienced and unaffiliated persons.

We provide investment advice directly to the Private Funds and not individually to the limited partners of each Private Funds.

C. Client Tailored Services and Client Tailored Restrictions

We manage each Private Fund based on the investment objectives and investment restrictions set forth in the limited partnership agreement of each such Private Fund (together with any amendments thereto, each a “**Partnership Agreement**”) and investment management agreement between us and each such Private Fund (together with any amendments thereto, each a “**Management Agreement**”, and together with the Partnership Agreement and the confidential private placement memorandum of a Private Fund, the “**Fund Documents**”).

Each Private Fund has an advisory council (“**Advisory Council**”) comprised of representatives of certain limited partners selected by the general partner and unaffiliated with the general partner. The Advisory Council provides such advice and counsel as is requested by the general partner in connection with investments, potential conflicts of interest, and certain other Private Fund matters. There are restrictions on investments outside the United States.

In addition, we have the right to enter and have entered into agreements, such as side letters, with certain limited partners in the Private Funds that may in each case provide for terms of investment that are more favorable to the terms provided to other limited partners in the Private Funds. Such terms may include the waiver or reduction of management and/or incentive fees/allocations, the provision of additional information or reports, rights related to specific regulatory requests or requirements of certain clients, more favorable transfer rights, and more favorable liquidity rights.

Limited partners are not advisory clients of the firm and do not impose restrictions on how we invest the Private Funds, other than through negotiation of the Partnership Agreement, Management Agreement, their subscription agreement and any side letter entered into with us, if any.

D. Wrap Programs

We do not participate in wrap fee programs.

E. Assets Under Management

We manage the Private Funds’ assets on a discretionary basis in accordance with the terms and conditions of the Fund Documents. As of December 31, 2018, we had regulatory assets under management of \$107,244,568.66.

Item 5: Fees and Compensation

A. Fee Schedule

We receive management fees and carried interest for our advisory services to the Private Funds. All investors in the Private Funds must be “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act, and, as a result, information regarding the fees and compensation payable by such investors is not required to be provided herein. Investors should refer to the Fund Documents for information regarding such fees.

We, in our discretion, may waive or reduce the management fee or carried interest applicable to all or any of the limited partners in each Private Fund or agree with a limited partner to waive or alter the management fee or carried interest as to that limited partner. Limited partners in the Private Funds may have different fee arrangements. We (without any act, consent or approval of any limited partner) may on our own behalf, or on behalf of a Private Fund, enter into, deliver, perform, modify and terminate side letters or other written agreements or instruments to or with one or more limited partners which have the effect of establishing different rights under, or altering or supplementing the terms of, an investment in the Private Fund, including, without limitation, modifications of withdrawal rights, fee arrangements and access to Private Fund information. Any rights established, or any terms of an investment in a Private Fund altered or supplemented, in a side letter with a limited partner will govern such limited partner’s investment in the Private Fund notwithstanding any other provision of the Private Fund’s documents to the contrary.

B. Payment Method

The management fee generally will be paid by each Private Fund quarterly in advance by (i) issuing capital calls to the investors, (ii) borrowing under credit facilities or (iii) or by paying the management fee from investment proceeds or other cash held by each Private Fund. The carried interest for each Private Fund is generally paid out as a distribution of the net cash proceeds attributable to dispositions of portfolio investments of such Private Fund.

C. Other Fees and Expenses

Each Private Fund was responsible for all of its organizational and offering expenses (the “**Organizational Expenses**”) in connection with the formation of the Private Fund, up to a maximum amount as set forth in the Partnership Agreement. Unless the general partner to Fund II determines otherwise, Fund II is responsible for all placement agent or finder fees related to the offering of its interests.

The Private Funds and any parallel fund, alternative investment vehicle and/or any vehicle through which the Private Funds may own investments (collectively, “**Investment Vehicles**”) are responsible for all necessary expenses of their operation and administration including, without limitation the following (all such expenses, collectively, the “**Operating Expenses**”):

- (i) all costs and expenses incurred in sourcing, identifying, evaluating, developing, negotiating, syndicating, structuring and closing investments, whether consummated or not consummated, and acquiring, holding, operating, monitoring, financing, disposing of (or the proposed disposition of), valuation or otherwise dealing with investments, and the costs of rendering financial assistance to or arranging for financing for any assets or businesses constituting investments or for working capital or other permitted purposes;
- (ii) all costs and expenses, if any, incurred in monitoring investments;
- (iii) taxes of the Private Fund and/or any Investment Vehicles;
- (iv) costs related to litigation and threatened litigation involving the Private Fund and/or any Investment Vehicles;
- (v) expenses associated with third-party accountants, auditors, attorneys, servicers, appraisers, tax advisors and other professionals with respect to the Private Fund and/or any Investment Vehicles and their respective activities, costs associated with the distribution of financial and other reports to limited partners, costs to establish, maintain and utilize one or more electronic portals or sites to provide or receive data and information relating to prospective and actual investments and parties relating thereto, and costs associated with meetings of the Advisory Council (other than costs incurred by or solely associated with non-voting Advisory Council members which shall be borne by the limited partners appointing such non-voting member) and limited partners;
- (vi) brokerage commissions and other investment costs incurred by or on behalf of the Private Fund and/or any Investment Vehicles and paid to third-parties;
- (vii) all costs and expenses associated with obtaining and maintaining insurance for the Private Fund and/or any Investment Vehicles, and their assets and director and officer liability insurance to protect Galaxy and its officers and employees;
- (viii) all costs and expenses associated with indemnifying certain indemnified parties;
- (ix) fees incurred in connection with the maintenance of bank or custodian accounts;
- (x) all expenses incurred in connection with the registration of the securities of the Private Fund and/or any Investment Vehicles under applicable securities laws or regulations;
- (xi) all costs and expenses relating to the incurrence of indebtedness of the Private Fund and/or any Investment Vehicles; and

(xiii) all expenses of the Private Fund and/or any Investment Vehicles that are not normally recurring operating expenses.

Galaxy or affiliates of Galaxy may also provide services to the Private Funds or any subsidiary vehicle through which the Private Funds invest, including, without limitation, loan origination and servicing, and receive fees from the Private Funds in exchange for providing such services. Any fees paid with respect to such services will be at least as favorable to the Private Funds as those generally available from similarly experienced and unaffiliated persons.

Galaxy or its affiliates may act as a collateral manager for a Private Fund's securitization investments. Any such services provided by Galaxy or its affiliate will be for fees and prices on terms no more favorable than would be received in independent, arms-length transactions.

Operating Expenses, Organizational Expenses, broken or "dead" deal costs and expenses or other costs or expenses that relate to the Private Funds and/or an Affiliated Fund shall be allocated by us according to the allocation provisions set forth in the Fund Documents. With respect to Fund II, unless otherwise agreed to by the general partner to Fund II, all broken- or "dead" deal costs and expenses, including, without limitation, due diligence costs, relating to potential investments with a third party co-investor shall be allocated to Fund II.

Any Operating or Organizational Expenses attributable solely to any parallel fund, any alternative investment vehicle or their respective subsidiaries shall be borne solely by such entity, as applicable, rather than allocated among the parallel fund(s) and the alternative investment vehicle(s).

D. Prepayment of Fees and Refunds

The Management Agreements for each Private Fund may be terminated upon the earliest to occur of: (a) the dissolution of such Private Fund, (b) the delivery of written notice by the general partner of such Private Fund terminating the Management Agreement; or (c) the affirmative vote of a specified percentage of limited partners to remove the general partner either (i) due to the occurrence of certain bad acts (as specified in the Partnership Agreement) or (ii) without "cause". We will be entitled to all accrued but unpaid management fees through the date of termination of the Management Agreement and will not be required to return any such management fees to the Private Fund or investors in the event of termination of the Management Agreement.

Except as otherwise provided in the Partnership Agreement, no limited partner may withdraw from a Private Fund or make a demand for or receive paid-in capital.

E. Sales Compensation

We do not accept compensation in connection with the sale of interests in the Private Funds.

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

We receive performance-based compensation in the form of carried interest distribution from each Private Fund. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act.

Performance-based compensation creates an incentive for us to cause a Private Fund to make investments that are riskier than it would otherwise make. To manage this potential conflict, we have adopted a number of compliance policies and procedures. These policies and procedures include (i) our Code of Ethics (see Item 11), (ii) our Compliance Manual, and (iii) policies which seek to ensure that each Private Fund is managed in accordance with its investment mandate.

Item 7: Types of Clients

For a discussion of the Private Funds, please refer to Item 4 above.

Limited Partners in Fund II are required to make a minimum capital commitment to the fund, although we have the right to waive this minimum investment requirement in our sole discretion. Limited partners that are U.S. persons are required to be “accredited investors” under Regulation D under the Securities Act, and “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act.

Fund I is fully subscribed and all limited partners were required to make a minimum capital commitment and qualify as accredited investors and qualified purchasers as well.

We require limited partners to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Private Funds.

Investors in the Private Funds may have conflicting investment, tax and other interest with respect to the Private Funds’ investments. As a consequence, conflicts of interest may arise in connection with decisions made by us that may be more beneficial for one investor than another investor. The results of the Private Funds’ activities may affect individual investors differently, depending on their different situations. In selecting and structuring investments for each Private Fund, we consider the investment and tax objectives of the Private Fund as a whole and not the objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some investors than to other investors.

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

A. Methods of Analyses

We have developed an investment process that is founded upon and incorporates a high degree of teamwork, institutional controls, checks and balances, risk management, oversight and efficient information management. We direct and implement all stages of a Private Fund's investment strategy, portfolio construction and execution (from sourcing, underwriting and closing on purchases, through ongoing performance monitoring and ultimate harvesting).

Each Private Fund has an investment committee to review, consider and approve all investments and the financing of or disposition of such investments.

The members of the investment committee and management team possess an extensive network of local and national contacts and relationships, which makes sourcing potential borrowers and transactions efficient and productive.

We conduct due diligence on each aspect of a potential investment including a review of (i) the borrower and its principals and management team; (ii) the underlying property and its competitive market positioning, physical condition, legal status, prospective cash flow and value; (iii) the transaction's proposed structure including rights and remedies of senior lenders, tenants and other relevant parties; and (iv) the likelihood and timing of the borrower's exit strategies. Each potential transaction undergoes credit underwriting and financial modeling based on the detailed work of the management team and external experts including lead and local legal counsel, market researchers and analysts, structural engineers, environmental consultants, insurance advisors, and private investigators.

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

B. Investment Strategies

Investment Strategies

The investment strategy of Fund I, which was launched in July 2015, was to invest in first mortgage loans, mezzanine loans, B-notes and debt-like preferred equity (collectively, "**Mezzanine Financings**"). Fund I has made investments in multifamily (*e.g.* apartment communities, multifamily development projects) and commercial (*e.g.* office buildings, construction) hotels and commercial real estate in the United States. Fund I is fully drawn and has allocated all of its capital to specific investments. Accordingly, Fund I is no longer permitted to make new investments.

The investment strategy of Fund II is to construct, on an investment-by-investment basis, a diversified portfolio of debt and preferred equity instruments secured directly or indirectly by commercial real estate located within North America, with a majority located within the United States. The Fund will target existing and to-be-developed institutional quality multifamily and commercial real estate (“CRE”) properties with an emphasis on generating favorable risk-adjusted returns accompanied by a component of current income and current cash distributions. The Fund will seek to take advantage of the sustained market demand for CRE Mezzanine Financings for acquisitions, refinancings, new construction and restructurings, as well as the needs of sellers of debt.

Fund I has made and Fund II may make its investments through the formation of subsidiaries formed as real estate investment trusts, limited liability companies or other entities. For Fund II, we may, in our sole discretion, establish parallel and/or feeder partnerships, real estate investment trusts, group trusts or other investment vehicles to address the tax, regulatory or other concerns of certain prospective investors. In order to insulate the assets of a Private Fund against In order to insulate the assets of a Private Fund against liabilities arising from particular investments, to facilitate any financing to be incurred in order to acquire investments and to provide flexibility in disposing of investments, we have used for Fund I and may use for Fund II special purpose vehicles to make fund investments.

The investment strategy for each Private Fund is more particularly described in the Fund Documents.

C. Material Risks

Acquiring interests in a Private Fund is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with us and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Private Fund are described in the Fund Documents of such Private Fund. Such risks may include (but are not limited to):

RISKS ASSOCIATED WITH INVESTMENTS AND INVESTMENT STRUCTURE

Long-Term Investment Horizon; Uncertain Timing for Asset Sales and Financings Although we expect most investments to generate current cash flow and to pay off in accordance with their terms, it is possible that any cash flow will occur only after the partial or complete financing, refinancing or sale of an investment, delaying the return to limited partners. It is possible that the Private Funds may not encounter favorable financing, refinancing or sale terms for an investment, thereby reducing or eliminating the return. It is further possible that, at a Private Fund’s termination, it may not be able to sell or finance remaining investments that it has purchased and, therefore, may make “in-kind” distributions or extend the term of the Private Fund.

Multi-sector Investment Strategy Risks. Fund II's strategy is to acquire assets across a variety of real estate product-types in a variety of geographic locations. This multi-sector approach could require more management time, staff support and expense than would be experienced with a company whose focus is dedicated to a greater extent on a single product-type in fewer jurisdictions than is contemplated by Fund II.

Risks Associated with Investing in a Variety of Capital Structures. Fund II's current strategy is to acquire assets using a variety of capital structures. This approach could require more management time, staff support and expense than would be experienced with a fund whose focus is dedicated to a greater extent on a single investment structure.

Limited Number of Investments. The Private Funds will likely invest in a limited number of investments. As a consequence, the aggregate return to the limited partners may be adversely affected by the unfavorable performance of a single asset.

Originations and Secondary Market Acquisitions. The investment strategy is for Fund II to both originate investments and to make investments in the secondary market. Fund II's success hinges on its ability to successfully pursue these strategies.

Mezzanine Financing. The Mezzanine Financings in which a Private Fund may invest may include loans and/or debt-like preferred equity secured by one or more direct or indirect ownership interests in a company, partnership or other entity owning, operating or controlling, directly or through subsidiaries or affiliates, one or more commercial properties. Although not secured by the underlying real estate, Mezzanine Financings share certain of the characteristics of subordinate loan interests described herein. It is expected that the commercial properties owned by such entities are or will be subject to existing mortgage loans and other indebtedness. As with subordinate commercial mortgage loans, repayment of a Mezzanine Financing is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks, including certain of the considerations and risks described herein. Mezzanine Financings may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the Mezzanine Financing. The entity ownership interests securing the Mezzanine Financings may represent only partial interests in the related real estate company and may not control either the related real estate company or the underlying commercial property. As a result, the effective realization on the collateral securing a Mezzanine Financing in the event of default may be limited. Limitations on realization on the collateral securing a mezzanine loan or the practical limitations on the availability and effectiveness of such a remedy may affect the likelihood of repayment in the event of a default.

"Stretch" First Mortgages. Fund II will, in some transactions, originate a "Stretch" first mortgage which will enjoy a first lien on the property, but includes a higher level of leverage that is more consistent with a Mezzanine Financing. While Fund II will generally seek to sell or finance the senior portion of any such "Stretch" first mortgage, with any excess spread and/or profit retained by the fund, to enhance the yield of the retained junior portion of the Mezzanine Financing, it may not be able to obtain such financing or consummate such sale, which could

cause a higher concentration of risk in fewer underlying assets and/or a reduced yield on its investments.

Subordination of Investments. Many of the investments will be in subordinated positions. These investments will be subordinated to the senior obligations of the property or issuer. Greater credit risks are usually attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. In addition, these securities may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the borrower's or the direct or indirect property owning entity's financial condition and/or in general economic conditions may impair the ability of the borrower or obligor, as applicable, to make payments on the subordinated securities and cause them to default more quickly with respect to such securities than with respect to the borrower's senior obligations. In most cases, the Private Fund's management of its investments and its remedies with respect thereto will be subject to the rights of the more senior lenders and contractual inter-creditor and recognition agreement provisions.

Junior Notes/Subordinate Loan Interests. Fund II may invest in junior notes, which investments are subordinate to the senior note portion of the same loan (which Fund II would not generally expect to hold). The junior portion of a loan is typically small relative to the overall loan, and vis-à-vis the senior portion of the loan is in the first loss position. As a means to protect against the holder of the senior note from taking certain actions or receiving certain benefits to the detriment of the holder of the junior note, the holder of the junior note often (but not always) has the right to purchase the senior note from its holder. If available, this right may not be meaningful to Fund II. For example, Fund II may not have the capital available to protect its junior note interest or purchasing the senior note may alter the Fund's overall portfolio and risk/return profile to the detriment of the limited partners.

Risks of Making or Acquiring Real Estate and Participations Generally. The Private Funds may originate or acquire direct or indirect interests in real estate that at the time of their acquisition or thereafter may be non-performing for a wide variety of reasons. Such non-performing real estate may require a substantial amount of workout negotiations and/or restructuring. It is possible that we may find it necessary or desirable to foreclose on collateral securing one or more real estate assets purchased by a Private Fund. The foreclosure process can be lengthy and expensive. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Special Risks Relating to Commercial Mortgage Loans. Commercial mortgage loans have certain distinct risk characteristics. Mortgage loans on commercial properties generally lack standardized terms, which may complicate their structure and increase due diligence costs. Commercial mortgage loans also tend to have shorter maturities than residential mortgage loans and are generally not fully amortizing, which means that they may have a significant principal balance or "balloon" payment due on maturity. Mortgage loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon

payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors. Commercial mortgage loans generally are non-recourse to borrowers. In the event of foreclosure on a commercial mortgage loan, the value at that time of the collateral securing the mortgage loan may be less than the principal amount outstanding on the mortgage loan and the accrued but unpaid interest thereon.

Investment in Distressed Assets. The Private Fund may make investments in under-performing or other distressed assets utilizing leveraged capital structures. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that the Private Fund's rate of return objectives will be realized or that there will be any return of capital. There can be no assurance that the assets will perform, the borrowers will pay as expected, or, if defaulted, that the underlying assets will be able to be foreclosed upon and liquidated in a cost effective manner.

Prepayments. The senior mortgage loans, junior notes and Mezzanine Financings may be subject to prepayment, which is affected by a number of factors. If prevailing interest rates for similar loans fall below the interest rates on such loans, the prepayment pace and the number of potential prepayments would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, the prepayment pace and the number of potential prepayments would generally be expected to decrease. Certain of the loans may have lockout periods and/or defeasance periods during which prepayment is prohibited or require prepayment penalties or premiums or defeasance features to be paid upon a prepayment. Prepayments on the loans may also be affected by the value of the related collateral asset, the borrower's equity in such asset, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the collateral asset, competition, general economic conditions and other factors. However, there can be no assurance that the loans will be prepaid at any particular rate.

Undiscovered Liabilities. Before making an investment, we will assess the strength of the underlying assets and other factors that we believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, we will rely on the resources available to us and, in some cases, certain investigations by third parties. This process is particularly important and highly subjective. There can be no assurance that our due diligence processes will uncover all relevant facts that would be material to an investment decision.

Nature of Anticipated Transactions. Investment analyses and decisions by us and/or one of its affiliates may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities, and we may not have knowledge of all circumstances that could adversely affect an investment. In such cases, the information available to us at the time of making an investment decision may be limited, and we may not have complete information regarding the investment asset(s). Therefore, no assurance can be given that we will have knowledge of all circumstances that may adversely affect an investment. In addition, we expect to rely upon input from third-party consultants and service providers in connection with their evaluation of proposed investments.

Use of Borrowings. The use of leverage (in the form of debt) may increase the potential for loss. The Private Funds may incur indebtedness in which recourse is not limited to specific assets of the Private Funds and indebtedness which is collateralized by more than one Private Fund asset, creating a situation where the Private Fund's investment in performing assets could be adversely impacted when those performing assets have been cross-collateralized with assets that become non-performing. Because many borrowings may be cross-collateralized by virtue of a borrower's position in the capital structure, it is likely that a Private Fund could experience concurrent foreclosures of multiple financed assets, accompanied by attendant losses upon lender liquidations.

Lack of Marketplace Liquidity. The inability to obtain leverage or to obtain enough leverage on terms deemed appropriate by Galaxy could materially and negatively impact the Private Fund's ability to implement its strategy and seek its targeted returns. In addition, to the extent there is a lack of readily available and reasonably priced debt financing available to borrowers or potential purchasers of an investment, it could materially and negatively affect repayment or the number of potential purchasers and the prices purchasers are willing to pay to the Private Fund.

Embedded Leverage. The Private Funds expect to invest in subordinate debt and securities which contain "embedded" leverage arising in classes of securities or financial structures that carry junior priorities with respect to payments generated by a collateral asset or pool of assets. In such cases, subordinated tranches effectively obtain leverage, and derive enhanced returns, from the senior tranches – at the cost of an elevated exposure to the performance of an underlying collateral asset or asset pool and compounding the Private Fund's exposure to loss.

Risk of Bridge Financing. If the Private Fund makes an investment in a transaction with the intent of refinancing or being refinanced out of a portion of that investment, there is a risk that the Private Fund could have an unintended long-term Investment if such refinancing does not occur.

Lack of Liquidity of Investments. The investments to be made by the Private Funds are likely to be illiquid, and it is unlikely that there will be a public market for many of the investments held by the Private Funds. The Private Funds generally will not be able to sell its investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases the Private Funds may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Private Fund may be such that they require a substantial length of time to realize.

Securitization of Assets. The Private Fund may securitize certain of its investments, including without limitation, through the issuance of, or other participation in, collateralized loan obligations or other securitization vehicles or structures ("Securitizations"). This may involve creating a special-purpose vehicle, contributing a pool of the Fund's assets to the entity, and selling senior interests in the entity on a nonrecourse basis to purchasers. The Private Fund would be expected to retain a portion of the equity in the securitized pool of portfolio investments. The terms of any such Securitizations that the Fund may pursue may provide that the principal amount of collateral assets must exceed the principal balance of the related bonds by a certain amount, commonly referred to as "over-collateralization." The terms of such

Securitizations may provide, among other things, that if certain delinquencies and/or losses exceed the specified levels based on the analysis by the rating agencies (or any financial guaranty insurer) of the characteristics of the assets collateralizing the bonds, the required level of over-collateralization may be increased or may be prevented from decreasing as would otherwise be permitted if losses or delinquencies did not exceed those levels. Other tests (based on delinquency levels or other criteria) may restrict the Private Fund's ability to receive net income from the assets collateralizing the obligations. Although the Private Fund may explore Securitizations throughout the life of the Private Fund, there can be no assurances that the Private Fund will participate in Securitizations, or that such Securitizations will be successful.

Risk of Real Estate Assets. The Private Funds' investments will consist of various types of real estate Mezzanine Financings, all of which derive their cash flows and value from the performance of the commercial real estate underlying such investments and/or the owners of such real estate. Consequently, all of the target investments are subject to the risks of commercial real estate. Additionally, in the event that the Private Fund owns or becomes an owner of real estate, through foreclosure or otherwise, adverse changes in the operation of any property, the financial condition of the property, including the financial condition of any one tenant, could have a material adverse effect on the returns of the limited partners.

Commercial Real Estate Commercial real estate properties tend to be unique and are more difficult to value than residential real estate properties. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than non-commercial properties and to the corresponding burdens and costs of compliance with environmental laws and other regulations. Commercial real estate properties, and correspondingly the performance of real estate preferred equity, are also typically subject to the effects of (a) the ability of tenants to make lease payments, (b) the ability of a property to attract and retain tenants, (c) interest rate levels and the availability of credit to refinance such loans at or prior to maturity, (d) compliance with regulatory requirements and applicable laws and (e) increased operating costs. Also, there may be costs and delays involved in enforcing rights of a property owner against tenants in default under the terms of leases with respect to commercial properties and such tenants may seek the protection of the bankruptcy laws which can result in termination of lease contracts. In addition, while commercial properties generally will carry comprehensive liability and casualty coverage, such coverage may not provide full protection for the value of the underlying property and may not protect against all casualty losses, including damage due to floods, earthquakes, hurricanes and terrorism.

Possible Lack of Diversification. The Private Fund may participate in a limited number of investments and there can be no assurances concerning the diversification of the Fund's assets either by geographic region or asset type. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the Private Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

Valuations. In the case of many of the Private Funds' assets, it is unlikely that readily available price quotations will exist. Instead, for each of the Private Funds' assets, each asset will be valued at its fair market value based on appraisal reports by independent real estate appraisers and/or

a broker's opinion of value. Prospective investors should be aware that an appraisal or a broker opinion of value is only an estimate and is not a precise measure of realizable value. If the Private Fund were to liquidate a particular investment, the realized value may be more than or less than the reported valuation of such asset.

Lack of Liquidity of Investments. The Investments to be made by the Private Fund are likely to be illiquid, and it is unlikely that there will be a public market for many of the investments held by the Private Fund. In some cases the Private Fund may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Fund may be such that they require a substantial length of time to realize.

The Private Funds are subject to additional risks than those set forth above. Please see the Fund Documents of each Private Fund for additional risks associated with the Private Funds.

Item 9: Disciplinary Information

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

We have no legal or disciplinary events to report.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither we nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

There are currently no relationships or arrangements that are material to our advisory business or to the Private Funds that we or any of our management persons has with any related person that is subject to disclosure under this Item. Please refer to Item 11 with respect to certain conflicts of interest relative to our advisory business.

We do not recommend or select other investment advisers to provide services to the Private Funds.

Item 11: Code of Ethics

A. Code of Ethics

In order to address conflicts of interest, we have adopted a code of ethics (the “**Code**”) which is applicable to all of our officers, principals, managers, members, associated persons and employees involved in the provision of investment advice (collectively, “**Associated Persons**”). The Code generally sets the standard of ethical and professional business conduct that we require of our Associated Persons, requires Associated Persons to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Associated Persons. Additionally, the Code sets forth our policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that we and each of our Associated Persons owes to each advisory client.

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

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

B. Participation or Interest in Client Transactions

In general, we and our Associated Persons will not purchase any securities or assets for our own accounts from, or sell any securities or assets for our own accounts to, the Private Funds without prior approval of the Advisory Council.

We or an affiliate serve as the general partner, investment manager and/or investment adviser to the Private Funds. We have a material personal investment in each Private Fund through the general partner of each Private Fund and as limited partners of each Private Fund. Associated Persons may own interests in each Private Fund, either directly or indirectly through family members. We do not believe that these investments cause a conflict of interest between us and the Private Funds but rather function to better align the interests of the investors with our own interests since our own capital is being invested alongside the investors’ capital. By virtue of our capital investment in the Private Funds, we may be considered to participate, indirectly, in transactions effected for the Private Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest arising therefrom are disclosed in the Fund Documents.

C. Personal Trading

We generally do not co-invest with the Private Funds. However, our Associated Persons may have direct and indirect investments of their own capital or other financial interests in the Private Funds through, for example, direct investments, deferred compensation agreements, performance allocation and carried interest.

Our Code addresses personal trading for Associated Persons. Included in the personal trading section is the requirement for all Associated Persons to pre-clear personal investments in initial public offerings, and private placements. It further requires Associated Persons that we deem as access persons (investment personnel, portfolio managers) to report their personal securities holdings and transactions on a quarterly basis.

D. Other Conflicts of Interests

Our Code of Ethics has policies and procedures to address the following additional conflicts of interest. While we do not believe that there are any conflicts that pose material risks to the Private Funds' interests, we wish to note some additional potential conflicts that are inherent in our structure and activities. We also have included brief descriptions of the procedures we use to mitigate their effects.

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

We have established policies and procedures reasonably designed to prevent the misuse by us and our Associated Persons of material information regarding issuers of securities that has not been publicly disseminated ("**material non-public information**"). Our ability to receive referrals from our affiliates may be restricted due to applicable law, internal policies and procedures of such affiliates, which primarily relates to the treatment of material non-public information in connection with publicly traded securities.

2. *Valuation*

The Private Funds may at times hold illiquid or difficult to value investments. We believe our valuation policies and procedures enable us to value Private Fund assets fairly and in a manner that is consistent with the best interests of the Private Funds, however since we have the authority to determine the value of the Private Funds' investments which may be illiquid or difficult to value, we may have an incentive to select the highest potential value for these investments. The risk of this potential conflict of interest is mitigated by the fact that neither our management fee nor our promote is impacted by the valuation of the Private Funds' investments.

3. *Conflicts from Competing Interests*

We and certain affiliates contemplate organizing and sponsoring additional alternative investment funds that operate in the domestic and international capital markets. Although we

intend that the targets and investment activities, taken as a whole, for such additional funds will not conflict with the targets and investment activities, taken as a whole, of our current Private Funds, it is nevertheless possible that conflicts may arise and that the interests of a Private Fund may suffer. In addition, certain of our senior personnel contemplate serving in similar roles for additional investment funds organized and managed by our affiliates. These senior personnel may experience diversions of their attention and potential conflicts of interest in the event that the interests of a Private Fund run counter to the interests of other funds and/or accounts organized and managed by our affiliates.

4. Conflicts from our other activities and investments

We and our investment professionals and our affiliates may provide investment advisory, sub-advisory, management and other services including, but not limited to, real estate related services and services in connection with mezzanine debt and preferred equity investments, to prospective clients (some of whom may also be affiliates of a limited partner), funds, investment vehicles and affiliates. Certain of those clients and funds may have the capacity and may desire to invest in or acquire the type of real estate investment opportunities that are within a Private Fund's objectives. Subject to any exclusivity obligations set forth in the Fund Documents, we will allocate investments and opportunities among our prospective clients and funds and the Private Funds in accordance with established investment allocation policies and procedures and guidelines.

5. Conflicts from Performance Fees

We will receive distributions of up to 20% of the profits from each Private Fund based upon our carried interest. The existence of the carried interest may create an incentive for us to make more speculative investments on behalf of the Private Funds than the funds would otherwise make in the absence of the carried interest. Although we and our affiliates are investing our own capital in the Private Funds along with the other investors, our interests and these related persons may under some circumstances differ from those of the Private Funds and/or the limited partners. Such conflicting interests could potentially affect our decisions in purchasing, holding and disposing of investments. We manage each Private Fund in accordance with the investment strategy set forth in the Fund Documents and strive to ensure that limited partners are aware of the investment strategy and the risks associated with the strategy. The Fund Documents contain further details regarding the incentive allocation and risk and strategy of each Private Fund.

6. Fees and Services by Affiliates

A Private Fund or one of its subsidiaries may retain one or more of our affiliates to provide various services, including, without limitation, investment surveillance, servicing and cash management services. In any such case, the Advisory Council will be notified of such engagement, and the terms of thereof will be at least as favorable to the Private Fund as those generally available from similarly experienced and unaffiliated persons.

7. *Co-Investment Opportunities; Co-Investment with Affiliates*

From time to time pursuant to the terms of the Partnership Agreement and at our discretion, certain limited partners or third parties may be presented with opportunities to co-invest in investments alongside the Private Funds. Such co-investments may or may not provide for limited partners or the third parties to make investments in underlying assets on substantially similar terms as are available to the Private Funds, and as such potential conflicts may be inherent in, or arise from, our discretion in determining when, and to whom to make such opportunities available. In addition, once such co-investments are made, the Private Funds' interests and those of co-investing limited partners or third parties may subsequently diverge as market conditions shift or other opportunities become available.

In addition, the Private Fund may co-invest with affiliates of, or other accounts managed by, an affiliate. To the extent that the Private Fund makes such co-investments, we and our affiliates may be subject to conflicts of interest in our respective roles to the extent, if any, that the interests of the Private Fund and those of any such co-investor do not coincide. However, the Private Fund will in no event invest in (a) a different tranche of debt on a given property than an affiliate of, or account managed by, one of our affiliates (other than in the case of CMBS acquired by the Private Fund or such affiliate or such managed account) or (b) a debt investment with respect to real estate owned by an affiliate of, or account managed by, an affiliate of ours.

8. *Fees and Services By Affiliates in connection with Co-Investment Opportunities*

From time to time pursuant to the terms of the Partnership Agreement and our discretion, certain limited partners or third parties may be presented with opportunities to co-invest in investments alongside the Private Fund. In connection therewith, we or any of our affiliates may charge fees or carried interest or other amounts to such limited partners or third parties who co-invest in such investments alongside the Private Fund. Such fees, carried interest or other payments shall, in each case, be solely for the account of us or such affiliate, as applicable.

9. *Investments Conflicting With Investments Held By Affiliates of Manager*

In the event that we determine that a potential investment is not appropriate for a Private Fund, it is possible that an affiliate may acquire or originate such investment, as applicable. In such event, it is possible that a Private Fund or one of its subsidiaries may originate a separate investment and become a lender to a party that is also a borrower or an affiliate of such borrower under such separate loan originated by an affiliate. To the extent that such a situation arises, we and our affiliates may be subject to conflicts of interest in our respective roles, to the extent, if any, that the interests of the Private Fund and those of any such affiliate do not coincide.

10. *Allocation of Personnel*

Our management team and other personnel will allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the Private Funds effectively. Such

personnel will work on other projects; conflicts may, therefore, arise in the time allocation of certain personnel and other resources.

11. Other Investments

The management team and other personnel may have investments in other funds sponsored by or affiliated with an affiliate as well as investments in non-affiliates. The performance of and financial returns on such other investments may be at odds with those of the Private Funds.

12. Diverse Membership

Conflicts of interest may arise in connection with decisions made by us that may be more beneficial for one type of limited partner than for another type of limited partner. In addition, we may make investments for the Private Funds that may have a negative impact on other investments made by the limited partners in separate transactions. In selecting investments appropriate for the Private Funds, we consider the investment objectives of the Private Funds as a whole, not the investment, tax or other objectives of any limited partner individually.

Item 12: Brokerage Practices

A. Criteria for Selection of Broker-Dealers

In General—Brokerage Selection

Fund I made and Fund II will make investments in Mezzanine Financings secured by commercial real estate-related assets and entities. Accordingly, the Private Funds did not and will not utilize securities broker-dealers for their investments.

B. Aggregation of Orders/Allocation of Trades

Since the investment period for Fund I has ended, at the present time, we have only one client, Fund II, for which we provide investment advisory services and therefore do not aggregate orders or allocate investments.

Item 13: Review of Accounts

A. Periodic Reviews

We monitor all Private Fund investments on an ongoing basis. Our investment committee meets annually, generally to review portfolio performance, portfolio diversification and investments generally.

B. Client Reports

Limited partners in the Private Funds receive such reports as are provided for in each fund's Partnership Agreement. Private Fund financial statements will be prepared in accordance with U.S. Generally Accepted Accounting Principals and will be distributed to limited partners after the end of each Private Fund's fiscal year. Limited partners also receive quarterly reports containing information on the Private Fund's portfolio holdings.

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

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

Item 14: Client Referrals and Other Compensation

A. Compensation by Non-Clients

We do not receive compensation or any other economic benefit from anyone who is not a client for providing investment advice or other advisory services to the Private Funds.

We have marketing agreements with unaffiliated broker-dealers who act as placement agents for the Private Funds and identify and solicit qualified investors that may be interested in investing in the Private Funds. The amount of placement agent fees we pay to such placement agents and the frequency of payments vary based on the agreement.

B. Compensation for Client Referrals

We do not directly or indirectly compensate third parties for referring advisory clients. Pursuant to marketing agreements with unaffiliated broker-dealers, we may compensate such broker-dealers for the referral of qualified investors for the Private Funds.

Item 15: Custody

With the exception of certain privately offered securities, neither we nor any of our affiliates maintains or will maintain physical possession of the funds or securities of the Private Funds. Physical custody of the assets of the Private Funds (other than certain privately offered securities) are maintained with a bank, trust company, broker-dealer or other qualified custodian (“**Qualified Custodian**”) selected by us in our exclusive discretion, which selection may change from time to time generally without the consent of investors in the Private Funds.

Although neither we nor our affiliates have physical possession or custody of any Private Fund assets (other than certain privately offered securities), under Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”), we are deemed to have “constructive” custody of the assets of the Private Funds by virtue of our and our affiliates relationships with the Private Funds.

In order to comply with the Custody Rule, the Private Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB). The audited financial statements, prepared in accordance with GAAP, are distributed to all investors in each Private Fund within 120 days of the end of the fund’s fiscal year.

Item 16: Investment Discretion

Subject to any investment restrictions set forth in the Fund Documents, we have discretionary authority to make the following determinations without obtaining the consent of either Private Fund before the transactions are effected:

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

Our discretionary authority is derived from our authority as the investment manager of each Private Fund and our authority pursuant to the Fund Documents, including the Partnership Agreement and Management Agreement of each Private Fund.

Item 17: Voting Client Securities

The Private Funds invest in real estate related assets. Due to the nature of these investments, we do not anticipate having authority to vote proxies since we do not make direct investments in public securities.

Item 18: Financial Information

We do not require prepayment of management fees more than six months in advance and do not have any events requiring disclosure under this item of the brochure.