

Square Mile Capital Management LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Square Mile Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 212-605-1000. 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.

Additional information about Square Mile Capital Management LLC is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

There have been no material changes to this brochure since the last annual update on March 28, 2014.

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Advisory Business

Square Mile Capital Management LLC, founded in 2006, is jointly owned by Jeffrey B. Citrin, Craig H. Solomon (together, the “Managing Principals”) and USAA Real Estate Company (“Realco”).

Square Mile Capital Management LLC serves as the sponsor of a number of real estate-related investment funds organized to make only real estate and real estate-related investments (each, including related vehicles, a “Partnership” and collectively “Partnerships”). In providing services to each Partnership, Square Mile Capital Management LLC or a wholly-owned subsidiary thereof, including Square Mile Capital Management II LLC, Square Mile Capital Management III LLC, Square Mile Capital Management IV LLC, Square Mile Capital Management Core Credit LLC and Square Mile Capital Management Tactical LLC (collectively “Square Mile”), as applicable, and typically together with an affiliate of Square Mile that serves as a general partner or managing member of the respective Partnership (each, a “General Partner” and collectively “General Partners”), directs and manages the investment of each Partnership’s assets and provides periodic reports to investors in each Partnership. In addition, the Partnerships that hold interests through conduit vehicles and/or subsidiaries usually serve as general partners or managing members of other vehicles or joint ventures. The General Partners typically act on behalf of the Partnerships that serve in such capacity and are usually able to approve or reject investment decisions.

Square Mile makes investment decisions based on careful research and decision-making procedures that help Square Mile identify and assess investment risks and opportunities. Square Mile manages the assets of each Partnership in accordance with the terms of the governing documents applicable to each Partnership. Investment advice is provided directly to each Partnership and not individually to the investors of the Partnerships.

Square Mile has a strategic relationship with Realco, pursuant to which Realco owns a 49.9% interest in Square Mile. Realco is an indirect, wholly-owned subsidiary of USAA, a diversified financial services organization principally engaged in the business of property and casualty insurance, life insurance, consumer banking and investment management. Founded in 1982, Realco manages USAA's portfolio of real estate investments across the United States, together with real estate investments made on behalf of certain institutional partners. Realco has approximately \$12 billion in assets under management and extensive experience in the acquisition, development, ownership, management and leasing of commercial real estate. Square Mile believes that the strategic relationship with Realco has multiple benefits, including providing new avenues for sourcing proprietary, off-market transactions. The Managing Principals and Realco intend that Square Mile will continue to focus its investing activities on debt and distressed and "opportunistic" real estate investments, and Realco will continue to focus its investing activities on "core," "core-plus" and "value-add" real estate assets, and ground-up development activities.

As of December 31, 2014, Square Mile managed assets worth approximately \$1,688,695,414 on a discretionary basis and \$8,802,760 on a non-discretionary basis.

Fees and Compensation

In addition to Square Mile earning a management fee, typically each Partnership's General Partner receives performance-based compensation in accordance with each Partnership's governing documents. Management fees are generally payable quarterly in advance. Partnerships are charged a management fee of up to 1.50% per annum of committed capital (or up to 1.35% of invested capital) during the commitment period, and up to 1.50% per annum of the invested capital thereafter. Square Mile may, however, charge reduced management fees or no management fee to the General Partners and their direct or indirect members or affiliates. Furthermore, after the achievement of certain thresholds, the Partnerships are generally subject to performance-based compensation of up to 20% of profits on all distributions derived from current income and the disposition of investments or securities. The General Partners may, however, receive reduced performance-based compensation or no performance-based compensation from their direct or indirect members or affiliates.

Pursuant to the governing documents of each Partnership, fees may be generally deducted directly from the Partnerships' and the respective investors' capital account balances, or the investors may be required to make capital contributions for the purpose of paying expenses. In the event that Square Mile does not provide services for the full quarterly period, the management fee is typically required to be returned on a pro rata basis to the investors in the applicable Partnership. In the rare event that the advisory agreement between Square Mile and a Partnership is terminated, a pro rata portion of fees is refunded to such Partnership and, in

general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

Any transaction and other fees relating, among other things, to management, construction, leasing, development and other property management services paid to or received by Square Mile in connection with investments or unconsummated transactions are generally applied to reduce the management fee on a dollar-for-dollar basis (net of out-of-pocket expenses incurred by Square Mile in connection with such investments or unconsummated transactions and not reimbursed by the Partnership); however, special servicing fees or other similar fees and certain bona fide compensation to employees of Square Mile (other than Jeffrey B. Citrin, Craig H. Solomon and any other managing principal) who are seconded to portfolio entities, so long as such fees and compensation are at arm's length and at competitive market rates, together with related expenses and allocable overhead, are excluded from such reduction with respect to certain Partnerships. Such secondment expenses are borne by such Partnerships or the applicable portfolio entity based on each applicable portfolio's allocable portion of the seconded employees' compensation. Added to a portfolio entity's allocable portion of seconded payroll is a portion of Square Mile's out-of-pocket expenses allocable to the secondees employed with respect to investments in that portfolio (including rent, insurance and general and administrative expenses).

To the extent such offsets reduce the management fee for a fiscal quarter below zero they are carried forward and reduce future installments of the management fee. To the extent a Partnership incurs placement fees for the use of a placement agent with respect to a certain investor, such investor's share of the management fee is reduced on a dollar-for-dollar basis.

In addition to the management fees and any performance-based compensation collected by Square Mile or the General Partners, investors in the Partnerships are subject to a variety of other fees and expenses payable to third parties or incurred internally by Square Mile, as more fully described in each Partnership's governing documents and private placement memorandum. Examples of fees and expenses that are paid by the Partnerships and indirectly borne by the investors include, but are not limited to, organizational expenses; fees, costs and expenses directly related to purchasing, disposing of, financing, hedging, developing, negotiating and structuring investments (including costs of advisors and, in certain cases, actual compensation of in-house attorneys and of Square Mile employees who are seconded to portfolio entities); travel expenses (including private charter, first class and/or business class airfare, lodging, ground transportation and other travel means); expenses of liquidating the Partnerships; expenses incurred in connection with any tax audit or investigation of the Partnerships; expenses associated with the Partnerships' administrative and reporting costs (including investor reporting expenses and the Partnerships' annual meeting expenses); out-of-pocket expenses with respect to legal and regulatory compliance of the Partnerships and/or Square Mile with U.S. federal, state, local, non-U.S. or other law or regulation (including, for example, preparation and filing of regulatory filings of Square Mile and its affiliates relating to the applicable Partnership's activities), and any taxes, fees, or other governmental charges; expenses incurred in connection with complying with provisions in side letter agreements entered into with limited partners (including the process of distributing and implementing applicable elections pursuant to any "most favored nations" provisions in side letters); expenses of the investor advisory committee;

expenses related to the services provided by Square Mile's non-employee Chief Financial Officer ("CFO"); and expenses associated with the preparation of financial statements and tax returns. In addition, the Partnerships are responsible for all fees and expenses due any legal (including, in certain cases actual compensation of in-house attorneys, so long as such fees and compensation are at arm's length and at competitive market rates), financial, accounting, consulting or other advisors or any lenders, investment banks and other financing sources and other costs and fees in connection with transactions that are not consummated. In order to calculate the costs of in-house counsel allocable to each Partnership, in-house attorneys submit timesheets showing hours worked on specific investments, and applicable funds reimburse accumulated in-house legal expenses based upon hourly rates. Such in-house counsel-related reimbursements are reported to the advisory boards or other committees of investor representatives for applicable Partnerships generally on an annual basis.

Square Mile may invest assets of a Partnership in other limited partnerships or pooled investment vehicles that specialize in particular real estate investments. Through these types of investments, investors in a Partnership may bear two layers of fees that include fees paid to the sponsor of such other vehicle and fees paid to Square Mile.

Realco and its affiliates engage in a broad spectrum of activities, including property and casualty insurance, life insurance, consumer banking, investment management and financial advisory activities, and have extensive investment activities, that are independent from, and may from time to time conflict with, activities of Square Mile and the Partnerships. In addition, Realco and its affiliates may provide services in the future beyond those currently provided. The Partnerships will not receive a benefit from any fees received in connection with such services.

Current and prospective investors should carefully review the more detailed descriptions of the fees and expenses paid by the Partnerships that are included in the applicable Partnership's governing documents and private placement memorandum.

Performance Based Fees and Side-by-Side Management

The General Partners, which are affiliated with Square Mile, typically receive performance-based compensation from Square Mile clients. The General Partners may not receive, however, performance-based compensation from their direct or indirect members or affiliates. For a description of such compensation, see "Fees and Compensation" above. The ability of the General Partners to earn performance-based compensation from some, but not all, Square Mile clients (and the different levels of performance-based compensation among the Partnerships) aligns the interests of Square Mile and the Partnerships in some ways, but the arrangements can also pose potential conflicts of interest. Square Mile and the General Partners may have an incentive to invest the Partnerships' capital more speculatively than would otherwise be prudent in an effort to generate outsized returns. However, this incentive is mitigated in part by the capital commitment that Square Mile, the General Partners, Square Mile affiliates and employees make to the Partnerships.

In addition, certain Partnerships have and may have in the future varying rates and structures of performance-based compensation and an incentive may arise for Square Mile to disproportionately allocate time, services or functions to Partnerships paying an effective higher

rate of performance-based compensation or effective lower hurdle, or to allocate investment opportunities to such Partnerships. Each Partnership's governing documents set forth specific procedures designed to ensure that all investors are treated fairly and to prevent such potential conflict from unduly influencing the allocation of investment opportunities among Partnerships, including but not limited to provisions outlining the parameters of Square Mile's and respective General Partner's ability to launch new investment funds while current funds are being actively invested.

Types of Clients

Square Mile's only clients are privately offered real estate-related funds and accounts. Minimum investment in the Partnerships is generally \$10,000,000, but lesser amounts may be accepted at the discretion of Square Mile.

Methods of Analysis, Investment Strategies and Risk of Loss

Certain Partnerships seek to achieve attractive risk-adjusted returns for its clients by searching out investments in distressed, mispriced, underperforming or out-of-favor real estate, real estate related assets or entities, as well as performing real estate-related debt. These Partnerships make investments across the capital structure and in various property types primarily located in the United States, and to a lesser extent in appropriate non-U.S. markets. Other Partnerships seek to achieve attractive risk-adjusted returns for its clients primarily by making investments in originated or purchased first mortgage and subordinated debt investments backed by high quality commercial real estate. Yet other Partnerships are established to invest in a broad range of commercial real estate related investments including first mortgages, B-notes, mezzanine debt, B-Pieces, CMBS, equity, preferred equity, performing, nonperforming, subperforming instruments, and entities. The Partnerships often hold interests through conduit vehicles and/or subsidiaries and usually serve as general partners or managing members of these vehicles or joint ventures. The General Partners, acting on behalf of the Partnerships, act on behalf of such vehicles and joint ventures and are usually able to approve or reject investment decisions.

With respect to all prospective investments, Square Mile aims to discern the intrinsic value of the collateral or property in question and structure each prospective investment with the flexibility to optimize potential upside while also significantly reducing downside risk.

Square Mile seeks to assemble a balanced, diversified and non-correlated portfolio of investments across the capital structure spectrum for the Partnerships, and intends to target a portfolio comprised of the following types of assets and investment strategies: high yield structured debt / preferred equity, project equity, distressed debt and special situations, as well as performing real estate-related debt.

Investing in real estate, real estate debt and other real estate-related interests and instruments involves the risk of loss. The purchase of interests in a Partnership involves a number of significant risks, including but not limited to those listed below, that should be carefully considered by potential investors before making any investment. Additional risks factors are disclosed in the private placement memoranda of the relevant Partnerships. As a result of these risks, and other risks inherent in any investment, there can be no assurance that a Partnership will meet its investment objectives or otherwise be able to carry out its investment program

successfully or that an investor will receive a return of its capital. The possibility of partial or total loss of capital exists and investors must be prepared to bear capital losses that might result from investing in a Partnership.

No Assurance of Investment Return. Square Mile cannot provide assurance that it will be able to choose, make and realize investments in any particular asset, company or portfolio of companies. There is no assurance that any Partnership will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of transactions and companies described in the relevant private placement memorandum and governing documents. An investment in a Partnership should only be considered by persons who can afford a loss of their entire investment. Past performance of any Partnership and other investment entities associated with Square Mile is not necessarily indicative of future results. There can be no assurance that projected or targeted returns for any Partnership will be achieved.

Illiquid and Long-Term Investments. The Partnerships generally invest in debt and equity obligations and other investments in real estate properties and real estate businesses for which often the number of potential purchasers and sellers, if any, is very limited. This factor may have the effect of limiting the availability of these obligations for purchase by the Partnerships and may also limit the ability of the Partnerships to sell such obligations at their fair market value prior to termination of the Partnerships or in response to changes in the economy or financial and real estate markets. Illiquidity may also result from legal or contractual restrictions on their resale. Investment in the Partnerships requires a long-term commitment, with no certainty of return. The return of capital and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investment. Investors should thus expect that they will not receive a return of capital for an extended period of time following their withdrawal from the Partnerships even if the Partnerships' investments prove successful.

Investments Longer than Term. The Partnerships may make investments which may not be advantageously disposed of prior to the date that the Partnerships will be dissolved, either by expiration of the Partnerships' terms or otherwise. Although Square Mile expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Partnerships may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Risk of Partnership Investments. The Partnerships will primarily invest in debt and, to a lesser degree, equity securities and other investments in real estate properties and real estate businesses. Deterioration of U.S. real estate fundamentals will negatively impact the performance of the Partnerships. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, increases in interest rates and the availability of mortgage funds which will

render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of Square Mile. The value of securities of companies which service the real estate business sector will also be affected by such risks.

Because Square Mile may invest a portion of its assets in real estate investment trusts (“REITs”), the Partnerships may also be subject to certain risks associated with direct investment in REITs. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income.

The profitability of a significant portion of each Partnership’s investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Square Mile will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Partnerships, there is always some, and occasionally a significant, degree of market risk.

The Partnerships may invest in commercial mortgage-backed securities (“CMBS”) and mezzanine debt. Some of these investments in CMBS and mezzanine debt securities may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject a Partnership to a “first loss” subordinate holder position. Investments in subordinate securities, such as CMBS and mezzanine debt, have a higher risk of loss than investments in more senior securities. CMBS and mezzanine debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The securities the Partnerships invest in may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by a Partnership earlier than expected, resulting in a lower return to the Partnership than projected. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Partnership’s rate of return objectives will be realized.

The Partnerships may also invest in debt instruments that will not be rated by any recognized rating agency. Generally, the value of unrated classes is more subject to fluctuation due to economic conditions than rated classes. Overall credit quality moves up or down frequently within this category. A Partnership’s acquisition of credit support classes of securitizations (which generally are expected to be first-loss classes) which are unrated at the time of acquisition and which have lower ratings incrementally increase the risk of nonpayment or of a significant

delay in payments on these classes. Should assets be downgraded, it will adversely affect their value and will adversely affect the value of the Partnerships.

Cyber Security Breaches and Identity Theft. Square Mile's and portfolio entities' 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. Although Square Mile has implemented, and portfolio entities will likely implement, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Square Mile, the Partnerships and/or a portfolio entity may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Square Mile's, the Partnerships' and/or a portfolio entity's 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). Such a failure could harm Square Mile's, the Partnerships' and/or a portfolio entity's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

1940 Act and Volcker Rule Considerations. It is intended that the Partnerships will rely on certain exemptions from the registration requirements of the Investment Company Act of 1940 ("1940 Act"), other than Section 3(c)(1) or Section 3(c)(7) thereof. These are expected to include the exemptions pursuant to Sections 3(c)(5)(C) and 3(c)(6) thereof. For example, to qualify for the exemption pursuant to 3(c)(5)(C), the Partnerships (on a Partnership by Partnership basis) generally will be required to hold at least (i) 55% of their assets in "qualifying" real estate assets and (ii) at least 80% of their assets in "qualifying" real estate assets and real estate-related assets. As a consequence of the Partnerships seeking to comply with such tests on an ongoing basis, the Partnerships may be restricted from making certain investments or may be required to structure investments in a manner that would be less advantageous to the Partnerships than would be the case in the absence of such requirements. In addition, seeking to be in compliance with such tests may cause the Partnerships to dispose or not dispose of investments at different times than it would otherwise, which could result in lower proceeds to the Partnerships than it would have received if it were not seeking to comply with such requirements.

As a consequence of its affiliation with Realco, Square Mile meets the definition of a "banking entity" subject to Section 13 of the Bank Holding Company Act of 1956, as amended (the "Volcker Rule"), and as such, is subject to the restrictions of the Volcker Rule. The Volcker Rule generally prohibits banking entities and their affiliates and subsidiaries from acquiring or retaining an ownership interest in, or sponsoring, certain types of funds (each, a "covered fund"), including funds that would be treated as investment companies but for the exemptions set forth in Section 3(c)(1) and Section 3(c)(7) of the 1940 Act. If a Partnership is unable to rely on one or more other exemptions from registration under the 1940 Act and consequently relies solely on the exemption provided in Section 3(c)(1) or in Section 3(c)(7) of the 1940 Act, then such Partnership may be a "covered fund" under the Volcker Rule, and Square Mile and such

Partnership may be required to comply with the restrictions of the Volcker Rule and any regulations promulgated thereunder applicable to covered funds. In addition, such restrictions may apply if a Partnership is deemed to be a “commodity pool” as defined in the regulations implementing the Volcker Rule.

The Volcker Rule became effective as a matter of statute on July 21, 2012, but banking entities have a so-called “conformance period” to wind down, sell, transfer or otherwise conform their investments and activities to the Volcker Rule, absent an extension by the Federal Reserve or an exemption for certain “permitted activities.” On December 10, 2013, the Federal Reserve and other U.S. federal regulatory agencies issued final rules to implement the Volcker Rule (the “Implementing Regulations”). The Implementing Regulations contain a number of important exemptions.

Concurrently with the issuance of the Implementing Regulations, the Federal Reserve issued an order extending the two-year conformance period by one year to July 21, 2015 (the “Compliance Deadline”). On December 18, 2014, the Federal Reserve granted an additional one-year extension, giving banking entities until July 21, 2016, in respect of investments in and relationships with certain funds that were in place prior to December 31, 2013 (“legacy covered funds and relationships”). All investments in and relationships with funds covered by the Volcker Rule made after December 31, 2013 must be divested or restructured by July 21, 2015. The Federal Reserve also announced that, with respect to legacy covered funds and relationships, it intends to grant a final one-year extension in 2015, which would give banking entities until July 21, 2017 to comply with the Volcker Rule. Square Mile and its affiliates will be required to comply with the Volcker Rule’s restrictions by the applicable Compliance Deadline.

Compliance with such Implementing Regulations will impose certain restrictions on activities of the Partnerships and could adversely affect their business and operations. For example, Square Mile (or its owners) could be required to reduce its funded and unfunded commitment to such Partnership (which could require a transfer of a significant portion of their direct or indirect interests in such Partnership). Also, to avoid having any of the Partnerships be treated as a commodity pool and therefore a covered fund, it may become necessary for Square Mile to restrict the use by the Partnerships of swaps, including for the purpose of hedging interest rate exposure on variable rate financings. In addition, if there are adverse changes in law or regulation (or interpretations thereof) in connection with the application of the Volcker Rule to Square Mile and its business, Realco may be required to acquire the interests in Square Mile currently held by the Managing Principals.

Valuation Risk. There will generally be no readily available markets for a substantial number of the Partnerships’ investments. As such, many investments will be difficult to value. Valuations of the investments will be determined by Square Mile. Valuations are estimates of future results that are based upon assumptions made at the time that the valuations are developed. Therefore, there can be no assurance that the projected results will be obtained, and actual results may vary significantly from the valuations.

The Partnerships are speculative investments, and the preceding paragraphs identify only some of the potentially applicable risks. Each Partnership’s private placement memorandum includes

a more detailed description of the relevant risks. Each prospective investor in a Partnership must acknowledge in writing that he or she has read and understood the Partnership's private placement memorandum.

Disciplinary Information

In the past ten years, neither Square Mile nor its employees have been involved in any legal or disciplinary events that would be material to a client's evaluation of Square Mile or its personnel.

Other Financial Industry Activities and Affiliations

In addition to those provided by Square Mile Capital Management LLC, services are provided to the Partnerships through the following affiliates thereof (acting as investment adviser and/or General Partner to a Partnership):

- Square Mile Capital Management II LLC
- Square Mile Capital Management III LLC
- Square Mile Capital Management IV LLC
- Square Mile Capital Management Core Credit LLC
- Square Mile Capital Management Tactical LLC
- Square Mile GP LLC
- Square Mile GP II LLC
- Square Mile GP III LLC
- Square Mile GP IV LLC
- Square Mile Core Credit GP LLC
- Square Mile Credit GP LLC
- Square Mile Tactical GP LLC
- SM Lodging Opportunity Partners GP LLC
- Square Mile S2 GP LLC
- Square Mile Factory Co-Invest GP LLC
- Square Mile Lodging Recovery LLC
- Square Mile DTLA Co-Investment GP LLC

In addition, the Partnerships that hold interests through conduit vehicles and/or subsidiaries usually serve as general partners or managing members of other vehicles or joint ventures. The General Partners typically act on behalf of the Partnerships that serve in such capacity and are usually able to approve or reject investment decisions.

Square Mile also provides administrative services through its affiliates to certain joint ventures in which the Partnerships hold interests through conduit vehicles and/or subsidiaries. The fees for

such services are determined on an arm's length basis and subject to terms that Square Mile has determined to be no less favorable to such joint ventures than would be obtained in a transaction with an unaffiliated party. At times, Square Mile will negotiate and execute agreements between its affiliates and certain joint ventures in which its Partnerships hold interests through conduit vehicles and/or subsidiaries, which could entail a conflict of interest in relation to efforts to enter into terms that are arm's length. Among the measures Square Mile uses to mitigate such conflicts is to involve outside counsel in reviewing and advising on such agreements and to provide insights regarding commercially reasonable terms.

Realco, which has a 49.9% interest in Square Mile, and its affiliates engage in a broad spectrum of activities, including property and casualty insurance, life insurance, consumer banking, investment management and financial advisory activities, and have extensive investment activities, that are independent from and will from time to time conflict with, activities of Square Mile and the Partnerships.

Through its engagement of Real Estate Systems Implementation Group, LLC ("RESIG"), an independent consulting firm that provides fund administration services, Square Mile outsources its CFO function, as well as the CFO function of each Partnership, to Neil Koenig. Mr. Koenig is also employed by Imowitz Koenig & Co., LLP ("Imowitz"), a firm of certified public accountants that specializes in the real estate industry. It has been Square Mile's practice, dating back to its inception, to separately engage RESIG and Imowitz to provide fund administration and tax services, respectively, with respect to Square Mile and each of the Partnerships. Accounting and administrative services provided to the Partnerships by employees of RESIG or Imowitz are charged as Partnership expenses and indirectly borne by the investors therein. None of RESIG, Imowitz or Mr. Koenig is an affiliate of Square Mile or any of the Partnerships, and the fees paid by the Partnerships to RESIG and Imowitz therefore do not reduce the management fees payable by the Partnerships. Although Mr. Koenig is expected to devote such time to Square Mile as is reasonably necessary to fulfill his CFO obligations, conflicts may arise in the allocation of his time between his obligations to Square Mile and the Partnerships and to his other clients. Mr. Koenig is also an investor in Square Mile Partners LP and has a small investment in Square Mile Partners III LP, along with a carry allocation, which he is obligated to share with the other partners of RESIG and Imowitz. However, Square Mile does not consider Mr. Koenig's Partnership investments in determining whether to continue its relationship with him, RESIG or Imowitz.

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

Code of Ethics. Square Mile has adopted a written Code of Ethics to ensure that Square Mile fulfills its role as a fiduciary to the Partnership. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all employees. The Code of Ethics requires employees to pre-clear certain personal securities transactions, report personal securities transactions on at least a quarterly basis, provide a detailed summary of certain holdings over which such employees have direct or indirect beneficial ownership upon commencement of employment and annually thereafter, internally report violations of the Code of Ethics to the

Chief Compliance Officer and certify their compliance with the Code of Ethics on an annual basis.

A copy Square Mile's Code of Ethics is available upon request by an investor or prospective investor from the Chief Compliance Officer, Daniel M. Kasell, who can be reached at (212) 616-1558 or dkasell@squaremilecapital.com, or the General Counsel, Joseph D. D'Angelo, who can be reached at (212) 616-1570 or jdangelo@squaremilecapital.com.

Participation or Interest in Client Transactions and Personal Trading. The General Partner of each Partnership generally has a material investment in its related Partnership. The foregoing relationships and any actual or potential conflicts of interest arising from these types of relationships are disclosed in the respective private placement memorandum. To the extent Square Mile or a related person invests in the same securities as a Partnership or in securities offered by a third party sponsor with whom a Partnership also invests in other deals, such transactions introduce a potential conflict of interest between the interests of the Partnership and the interests of Square Mile or its related persons. For example, a conflict of interest may arise in the possibility that Square Mile employees are allocating potentially profitable deals to themselves instead of the Partnerships. In order to mitigate this conflict, Square Mile has adopted a Code of Ethics, whereby the CCO assesses for such conflicts of interest before allowing Square Mile employees to make any such private investments (the CCO's assessment will include, among other considerations, compliance with applicable provisions of a Partnership's governing documents). As another example, a potential conflict of interest could arise in that the interested related person could benefit from such a purchase or sale of the applicable securities by the Partnership.

Further, if a related person makes a personal investment in a deal with a specific third party sponsor, such related person may be conflicted when evaluating other deals with the same third party sponsor for Partnerships managed by Square Mile, as investing Partnership assets in additional deals with the same sponsor may allow such related person access to future personal investment opportunities with the sponsor that they would not otherwise be granted. In such cases, Square Mile would take appropriate steps to address potential conflicts of interest based on the specific facts and circumstances in accordance with the relevant governing documents of such Partnership.

Allocation of Investment Opportunities. Square Mile shall seek to allocate investment opportunities in a manner that it believes to be in the best interest of all Partnerships involved and shall seek to allocate investment opportunities believed to be appropriate on an equitable basis and in accordance with such Partnership's governing documents. Among the factors that can impact allocation and investment decisions across Partnerships are differing investment strategies and objectives, account restrictions, risk parameters, property-type and geographic diversification needs, cash flows, liquidity needs, tax considerations and other factors.

Coinvestments. In addition, from time to time, Square Mile may seek co-investment partners for the Partnerships, particularly with respect to relatively large transactions. For each such co-investment offer, the investment committee of the applicable Partnership will generally determine, in good faith, that the allocation between the applicable Partnership and any co-

investment partner(s) is in the Partnership's best interest. As a general matter, Square Mile, in determining the allocation of discretionary co-investment opportunities to co-investment partners, generally expects to take into account various facts and circumstances deemed relevant by Square Mile, including among others, whether a potential co-investment partner has expressed interest in evaluating co-investment opportunities, whether a potential co-investment partner has a history of participating in co-investment opportunities with Square Mile, the size of the potential co-investment partner's interest to be held in the underlying portfolio company as a result of the applicable Partnership's investment (which is likely to be based on the size of the potential investor's capital commitment and/or investment in the applicable Partnership), whether the potential co-investment partner has demonstrated a long-term or continuing commitment to the potential success of Square Mile, the applicable Partnership, or other co-investment and/or other Partnerships, and such other factors that Square Mile deems relevant under the circumstances. In some cases the co-investment partners are individuals or entities with which Square Mile's senior executives have longstanding relationships. Square Mile will document such determinations, including its identification and evaluation of any relationships between Square Mile and/or its senior executives and the co-investment partner(s) that present a potential conflict of interest.

The allocation of co-investment opportunities may involve a benefit to Square Mile including, without limitation, fees or carried interest from the co-investment opportunity, and capital commitments to the applicable Partnership, and such co-investment fees could create an incentive for the General Partner to pursue an investment, and structure the terms of the Partnership's investment in a manner, different than it otherwise would in the absence of such co-investment fees. The terms of any such co-investment, will be negotiated by the General Partners and the co-investment partner(s) on a on a case-by-case basis in their respective sole and absolute discretion.

Investments with Third Parties. Square Mile may invest assets of a Partnership in other limited partnerships or pooled investment vehicles that specialize in particular real estate investments. As discussed in Item 5, through these types of investments, limited partners may bear two layers of fees that include fees paid to the third party sponsor of such other vehicle and fees paid to Square Mile. In addition, from time to time, Square Mile employees have personally invested in deals sponsored by third parties, and may continue to invest in such deals in the future. In addition, Square Mile employees may be conflicted when evaluating third party-sponsored deals for investment by a Partnership, as making such an investment may allow them access to future personal investment opportunities with such third party that they would not otherwise be granted. Square Mile has implemented procedures that require the CCO to evaluate and pre-approve any proposed investment of the Partnerships in any investment with a third-party that is the sponsor of another transaction in which one or more Square Mile employees are invested.

Activities of USAA and Realco; Strategic Relationship with Square Mile. Realco and its affiliates engage in a broad spectrum of activities, including property and casualty insurance, life insurance, consumer banking, investment management and financial advisory activities, and have extensive investment activities, that are independent from, and may from time to time conflict with, activities of Square Mile and the Partnerships. In addition, Realco and its affiliates

may provide services in the future beyond those currently provided. The Partnerships will not receive a benefit from any fees received in connection with such services.

Realco and its affiliates have long-term relationships with a significant number of institutions and their senior management. In determining whether to invest in a particular transaction on behalf of the Partnerships, the General Partners will consider those relationships, which may result in certain transactions that the General Partners will not undertake on behalf of the Partnerships in view of such relationships. Therefore, there can be no assurance that all potentially suitable investment opportunities that come to the attention of Square Mile, Realco or Realco's affiliates will be made available to the Partnerships. The Partnerships may also co-invest with such clients of Realco (or of Realco's affiliates) in particular investment opportunities, and the relationship with such clients could influence the decisions made by the General Partners with respect to such investments.

Although the Managing Principals manage the day-to-day operations of Square Mile and the Partnerships, Realco is entitled to representation on Square Mile's board of directors, which establishes firm policies and strategies, and on the investment committee of certain Partnerships, each of which controls investment decisions of the related Partnership. In certain circumstances in the future, either Realco or the Managing Principals may cause Realco to purchase up to approximately 30% of the interests in Square Mile from the Managing Principals, which will have an attendant impact on the Managing Principals' control rights with respect to Square Mile's board of directors, but such a transaction would not have an impact on the ownership of carried interest by the investment team (including the Managing Principals). Moreover, the Managing Principals are expected to continue to be responsible for the operations of Square Mile and the Partnerships, including ongoing joint control of the investment committee of each Partnership for so long as they remain affiliated with Square Mile and its affiliates.

No Assurance of Ability to Participate in Investment Opportunities. It is generally not expected that Realco or its affiliates will make high-yield debt, distressed or "opportunistic" real estate investments or sponsor, manage or advise investment vehicles with the same primary investment objective as the Partnerships, although USAA and its affiliates (other than Realco) are not so restricted. Realco and its affiliates may advise other investment vehicles, accounts and clients having objectives that could overlap in certain circumstances with those of the Partnerships, including other collective investment vehicles in which Realco may have an equity interest. The Partnerships will not have any rights to investment opportunities in relation to the rights of such other vehicles or accounts and there may be circumstances where investments that are consistent with the investment objectives of the Partnerships may be required or permitted to be made by or shared with such other investment vehicles, accounts or clients. The Partnerships will, in certain circumstances, co-invest with such other investment vehicles, accounts and clients on a basis that Square Mile believes in good faith to be fair and reasonable. Realco will be under no obligation to make any opportunity available to the Partnerships.

Material, Non-Public Information. As a result of the business activities of Realco and its affiliates, as well as investments made by Realco and its affiliates for their own account, Realco and its affiliates will acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. Disclosure of such information to

Square Mile's personnel responsible for the affairs of the Partnerships will be on a need-to-know basis only, and the Partnerships will not be free to act upon any such information. Therefore, the Partnerships will not be provided access to material non-public information in the possession of Realco and its affiliates that might be relevant to an investment decision to be made by the Partnerships, and the Partnerships may initiate a transaction or sell a portfolio investment which, if such information had been known to it, may not have been undertaken. In the event any material, non-public information is disclosed to any Managing Principal, or any other person responsible for the affairs of the Partnerships, the Partnerships will be prohibited by applicable securities laws and internal policies of Realco and its affiliates from acting upon any such information. Due to these restrictions, the Partnerships may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold. In addition, under certain circumstances Square Mile may not be given access to material non-public information in the possession of Realco or its affiliates that may be relevant to an investment decision to be made by the Partnerships.

Side Letters. General Partners agree with certain investors in the Partnerships to waive or modify the application of certain provisions of the respective governing documents via a side letter without obtaining the consent of any other investor in such Partnership. Side letter terms include, without limitation, (i) preferential economic terms of investment, (ii) excuse rights applicable to particular investments, (iii) reporting obligations, (iv) waiver of certain confidentiality obligations, (v) consent to certain transfers by the investor, or (vi) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor.

Brokerage Practices

Square Mile focuses on making investments in real estate-related assets, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable to financial intermediaries in connection with such investments. To the limited extent Square Mile transacts in public securities it intends to select brokers based upon the broker's ability to provide best execution for the applicable Partnership. Square Mile does not select broker-dealers based on investor referrals.

Review of Accounts

Square Mile focuses on real estate and real estate-related investments. All investments are carefully reviewed and approved by the investment committee of the applicable Partnership. The investments are carefully monitored on a regular basis and are subject to the constant supervision and review by the investment committee of the applicable Partnership. The operations of Square Mile are managed by the Managing Principals, with certain major decisions with respect to the business of Square Mile subject to the approval of Square Mile's board of directors, which comprises the Managing Principals and two representatives of Realco. The Managing Principals also have primary oversight responsibilities for the Partnerships and, together with representatives of Realco, constitute the investment committee of certain Partnerships, each of which is responsible for all investment and disposition decisions of the related Partnership. Such investment committees utilize a consensus driven process requiring unanimity.

Square Mile provides each investor with unaudited quarterly financial reports of the applicable Partnership and audited financial statements annually. In addition, Square Mile holds an annual

meeting for investors and provides each investor with a Schedule K-1 annually and a capital account statement quarterly.

Client Referrals and Other Compensation

Upon the raising of a new fund, Square Mile may engage third-party placement agents to introduce prospective investors to the fund. To the extent a Partnership incurs placement fees for the use of a placement agent with respect to a certain investor, such investor's share of the management fee is reduced on a dollar-for-dollar basis.

Custody

Investors will not receive statements from any custodians. Instead, the Partnerships are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and, in accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940, are distributed within 120 days of each Fund's fiscal year-end.

Investment Discretion

Square Mile generally has full discretionary authority over the Partnerships, as described in the governing documents and/or private placement memoranda of the Partnerships.

Voting Client Securities

The Partnerships are primarily invested in private entities that typically do not issue proxies. In the limited circumstances where Square Mile or its affiliates hold publicly traded securities and receive proxies in connection with its publicly traded portfolio entities, it is Square Mile's policy to exercise the proxy vote in the best interest of its clients, taking into consideration all relevant factors, including without limitation, acting in a manner that Square Mile believes will: (i) maximize the economic benefits to the client, and (ii) promote sound corporate governance by the issuer. Whenever Square Mile is required to exercise a vote for a privately-held portfolio entity, the same standards and procedures shall apply. Square Mile will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Partnerships and investors on the other. If such conflicts of interest arise, they will generally be disclosed and/or resolved in a way that favors the interests of the Partnerships and/or investors over the interests of Square Mile and its employees.

Square Mile has adopted written policies and procedures governing the proxy voting process. A copy of these policies and procedures, as well as specific information about how Square Mile has voted in the past, is available to investors upon request.

Financial Information

Square Mile has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Partnerships.