



STATEMENT REGARDING CONDUCT AND ETHICS

We at Starwood Capital Group (the “Company”) are committed to the highest standards of business conduct in our relationships with each other, with companies with which we do business and with our investor and others. This requires that we conduct our business in accordance with all applicable laws and regulations and in accordance with the highest standards of business ethics.

We have adopted a Compliance Manual (the “Manual”) to help each of us in this endeavor. Reprinted herein are **excerpts** from the Manual which demonstrate the fundamental principles and key policies and procedures that govern the conduct of our business (the “Code”). The full Manual covers more than just our code of conduct and conflicts of interest policies and applies to all officers, managers, managing directors, members and employees of Starwood, and to other persons (e.g., independent contractors who establish policy for Starwood or pursuant to whose advice Starwood is guided in particular areas of operation) so designated by the Chief Compliance Officer (“CCO”) or one of the Company’s Co-General Counsels (collectively “Advisory Representatives”). A copy of the complete Manual is made available to our investors upon request.

The purpose of this Code is to deter wrongdoing and to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in our regulatory reporting and other public communications, (iii) compliance with applicable laws, rules and regulations, (iv) prompt internal reporting of violations of the code to appropriate persons identified in the code and (v) accountability for adherence to the code.

Our business depends on the quality of the Company’s reputation and in turn on all of us to exhibit integrity and engage only in principled business conduct. Thus, in many instances, the policies referenced in this Code go beyond the requirements of the law.

Standards of Conduct. Central to this Code is the concept that Starwood and its Advisory Representatives owe fiduciary duties to Starwood’s advisory clients. These duties are created by underlying principles of the securities laws and the relationship of trust presumed between the Company and its advisory clients. As fiduciaries, Advisory Representatives must conduct themselves with honesty and integrity, bearing in mind that their conduct reflects on the Company’s reputation. Advisory Representatives must refrain from any activity that places or appears to place their interests ahead of the interests of the Company’s advisory clients. Advisory Representatives must observe ethical standards of honesty and integrity and comply with the Advisers Act, as well as other provisions of the federal securities laws pertaining to their conduct and the Company’s business.

The following are basic standards of conduct that each Advisory Representative is expected to meet:

- Advisory Representatives are expected to act with honesty and integrity, and must treat clients in a fair and equitable manner.
- Information obtained in the course of an Advisory Representative's activities for Starwood, which is not otherwise generally available to the public, is proprietary and strictly confidential. Advisory Representatives may not use, for their personal gain, any information obtained from their position with Starwood.
- No Advisory Representative shall (i) misuse material, non-public information (see Policies on Insider Trading below); (ii) employ any device, scheme or artifice to defraud current or potential advisory clients of Starwood; (iii) make any untrue statement of a material fact to a current or potential advisory client of Starwood or omit to state to such client a material fact necessary in order to make the statements made in light of the circumstances under which they are made, not misleading; (iv) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon current or potential advisory clients of Starwood; or (v) engage in any manipulative practice with respect to the clients or potential clients of Starwood.
- No Advisory Representative may knowingly sell for its own account any real estate asset (including but not limited to an interest in a REIT or similar real estate-related security) to an advisory client of Starwood or knowingly purchase or otherwise acquire any real estate asset (including but not limited to an interest in a REIT or similar real estate-related security) from an advisory client of Starwood without first obtaining the written approval of the Co-General Counsel and the informed, written consent of the client. (See Section E.6 below for more information about principal transactions.)
- No Advisory Representative may act as securities broker for compensation in connection with the purchase or sale of a real estate asset (including but not limited to an interest in a REIT or similar real estate-related security) to or from an advisory client, without first obtaining the written approval of the Co-General Counsel and the informed, written consent of the client. Similarly, no Advisory Representative may act as broker in such a transaction if the Advisory Representative recommended the transaction to both the buyer and the seller without first obtaining the written approval of the Co-General Counsel and the informed, written consent of both the buyer and seller. (See Section E.6 below for more information about agency-cross and similar transactions.)
- Advisory Representatives must avoid activities, relationships and interests that create an appearance of impropriety.
- Employees must avoid engaging in any form of conduct that creates an actual conflict of interest, or creates the appearance of a conflict of interest, with a client. Any questions concerning conflicts should be directed to the CCO or the Co-General Counsel immediately. See Conflicts of Interest in Section E.6 below.
- No Advisory Representative (or Immediate Family Member) shall obtain a Control interest or other Control participation in a company with which Starwood or an affiliate does business unless otherwise approved in advance by the Co-General Counsel.
- No Advisory Representative may acquire or dispose of any interest in, or otherwise engage in any transaction involving, the type of real property that may be acquired for the Company's advisory clients.

Insider Trading. You are prohibited by Company policy and by law from buying or selling publicly traded securities for any purpose at a time when you are in possession of “material nonpublic information.” (There is, however, a very limited exception for trades made pursuant to a preexisting, pre-approved trading plan adopted pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended). This conduct is known as “insider trading.” Passing such information on to someone who may buy or sell securities – known as “tipping” – is also illegal. Information is considered “material” if a reasonable investor would consider it important in arriving at a decision to buy, sell or hold securities. If you have any question about whether a particular transaction may constitute insider trading, you should consult the Company’s Policy On Insider Trading which has been provided to you and, prior to trading, consult with the Company’s General Counsel.

Conflicts of Interest.

General. As an investment adviser, Starwood has a fiduciary duty not to put its interests ahead of its clients or engage in any conduct to the detriment of its clients. In certain cases, the activities of Starwood, its Advisory Representatives or the Company’s affiliates may lead to conflicts of interest with the Company’s advisory clients. A conflict of interest may occur when an individual’s personal activities or interests interfere, or even appear to interfere with the Company’s interests or those of its clients. For example, conflicts of interest may occur when personal interests or activities (a) influence, or appear to influence, an Advisory Representative’s judgment when acting on behalf of the Company; (b) result in the Advisory Representative competing, or appearing to compete with the Company or diverting, or appearing to divert, business away from the Company; (c) diminish, or appear to diminish, the efficiency, effectiveness or objectivity with which the Advisory Representative performs his or her duties, (d) result in an Advisory Representative receiving improper personal benefits due to his or her position within the Company; or (e) actually or apparently harm or impair the Company’s reputation, including the goodwill arising from the Starwood name. Moreover, conflicts can occur due to the interests or activities of Immediate Family Members.

All Advisory Representatives are expected to avoid actual or apparent conflicts of interest.

Conflict of Interest Procedures.

- *Identify Conflicts* -- If an Advisory Representative believes that a course of conduct creates a conflict or the appearance of a conflict of interest with a client, he or she should contact the Co-General Counsel or the CCO to seek advice.
- *Resolve Conflicts* -- Conflicts can be resolved either by not engaging in the conduct that creates the actual conflict or the appearance of a conflict or disclosing the conflict to the client¹ and obtaining written client consent. Any disclosure and consent should be documented and maintained as part of Starwood’s records and overseen by the CCO.

¹ Generally, conflicts of interests are managed by disclosing them in the offering documents of a particular real estate investment vehicle or avoiding the conflict altogether. These offering documents are delivered to investors prior to their investment, and investors are given the opportunity to discuss the investment and ask questions about the investment prior to making a capital commitment or contribution to the particular investment vehicle.

- *Disclosure of Financial or Disciplinary Events* -- In the event that Starwood experiences a financial or disciplinary event that would have a material impact on its ability to satisfy its contractual commitments or that would affect its ability to carry out its custody functions, Starwood must disclose the financial or disciplinary event to existing clients promptly and prospective clients 48 hours before entering into an Investment Management Agreement with a client, or at the time of entering into the agreement, if the client has the opportunity to terminate the agreement without penalty within five (5) business days after entering into the agreement.
- *Advisory Committee* – In general, the general partner to each real estate investment vehicle will establish an Advisory Committee to make decisions for the vehicle as specified in each limited partnership agreement of the real estate investment vehicle. Members of the Advisory Committee are made up of a specified number of limited partners of the real estate investment vehicle and are not affiliates or employees of the general partner, the Company or either of their affiliates. The Company will seek guidance from this Committee when needed, particularly if a conflict arises between the interests of the Company and its clients.

Conflicts from Affiliated Transactions.

The Advisers Act regulates affiliated transactions (and their potential conflicts of interest) through the antifraud provisions prescribed in Section 206. The Advisers Act does not per se prohibit affiliated transactions, but regulates them through a process of disclosure and consent. With respect to real estate investment vehicle clients, the limited partnership agreement sets forth and discloses instances in which affiliated transactions are permissible under procedures established for the particular real estate investment vehicle.

The limited partnership agreements typically will contain sections addressing affiliated transactions and will identify the conditions permitting affiliated transactions. Depending on the conditions of a particular partnership agreement, approval of the Advisory Committee may be necessary, such as for approval of principal transactions in real estate. In general, the limited partnership agreements for each real estate investment vehicle must take into account the fiduciary obligations of the general partner and responsibilities of the Company under the Advisers Act. In that regard, each limited partnership agreement will disclose the instances and conditions of any affiliated transactions, as well as to seek to ensure that affiliated transactions are fair and negotiated at arm's length.²

In some cases, Mr. Sternlicht may create and own (directly or indirectly through a special purpose entity) a "brand" (e.g., "1" Hotels). The Company may invest the assets of a real estate investment vehicle client in real property to be developed as or modified into a hotel with that brand pursuant to written management, franchise or similar agreements. These agreements provide for the payment of fees to the new special purpose entity, but the terms of the agreement must be fair and "arm's length." In some cases, the Company may invest client assets in a company (e.g., Baccarat) such that the client controls the company. Then, a newly created entity controlled by Mr. Sternlicht may license the company's name for purposes of developing a hotel brand in that name (pursuant to a written license agreement between the company and the new entity) and then sub-license the name to various real property owners in exchange for a fee. The new entity may also serve as property manager in exchange for fees from property owners.

The Funds may own and control a restaurant company whose restaurants may operate within hotels that use brands owned or controlled by Company affiliates and/or that have entered into management, licensing or franchising agreements with Company affiliates.

² The Company has engaged an unaffiliated law Company to study and identify relevant arm's length terms for this purpose.

These types of transactions are disclosed to investors in the relevant real estate investment vehicle's offering documents, and/or periodically in investor statement/reports as "affiliated transactions," and may require the prior approval of the vehicle's advisory committee (or other group of unaffiliated investors) depending on the terms of the offering and related documents.

Conflicts from Joint Investments.

A real estate investment vehicle may invest jointly with its general partner and affiliates, but not generally with the Company. Because these investments may be with an affiliate of the Company, Advisers Act issues may arise. Therefore, the limited partnership agreement for each real estate investment vehicle should disclose and establish procedures and conditions for joint investments.

Depending on the limited partnership agreement, the conditions of approval of the Advisory Committee should be considered in the case of joint investments. Other considerations, such as valuation and appraisal issues, may need to be addressed in the case of a joint investment. The limited partnership agreement should first be consulted to determine the conditions and process that must be followed in the case of joint investments. The Company (or its general partner affiliates) may need to give consideration to requests for fairness opinions and independent appraisals as a condition of a joint investment.

Conflicts from Allocation of Investments and Investment Opportunities.

The Company provides advisory services with respect to more than one real estate investment vehicle. These investment vehicles may have similar investment guidelines and seek investment in the same or similar real estate opportunities. This can raise potential conflicts of interest in deciding how to allocate investment opportunities among the Company's clients.

Further, restrictions exist that place limits on the ability of an affiliated general partner to bring up successor funds while other real estate investment vehicles having similar investment guidelines are in existence. These restrictions should manage, in part, the conflicts that might arise when allocating investment opportunities among more than one real estate investment vehicle.

Where more than one real estate investment vehicle client could seek to invest in the same or similar real estate opportunities, the Company endeavors to allocate such opportunities among such clients on a fair and equitable basis over time. The Company first determines whether the particular investment opportunity is suitable for each of its clients, based on each client's investment mandate and current needs. The Company next determines an appropriate allocation among participating clients (e.g., allocation based on total assets; ideal investment amount as dictated by investment mandate and current needs; rotation basis). Often, the Company establishes an allocation methodology, based on investment mandate and current needs, before the offering of interests in the real estate investment vehicle(s) commences, and discloses the methodology in the real estate investment vehicle clients' offering documents.³

³ For example, based on investment mandate and current needs, the Company determines that two real estate investment vehicles may invest in luxury hotels. One client has a general real estate mandate; the other invests exclusively in luxury hotels. Based on these and other factors, the Company may determine to allocate 25% of a luxury hotel investment opportunity to the client with the general investment mandate and 75% of the opportunity to the client with the luxury hotel mandate.

In addition, the limited partnership agreements of real estate investment vehicle client typically will disclose the allocation of investment opportunities among similar real estate investment vehicles and contain the conditions to bringing up successor real estate investment vehicles. The limited partnership agreements should be consulted to determine the procedures for creating successor real estate investment vehicles and for allocating investment opportunities among multiple real estate investment vehicles to ensure compliance with the stated process and the obligations of the Company and general partner under applicable law.

Conflicts from Valuation.

The Company is obligated to follow the valuation procedures established and disclosed in the limited partnership agreements for each of its real estate investment vehicle clients. A limited partnership agreement may prescribe the conditions on valuation and may require the general partner to submit include authorization for independent appraisals as part of a valuation plan.

Each limited partnership agreement should be consulted to determine the method and condition of valuation.

Corporate Opportunities.

Advisory Representatives are prohibited from using opportunities discovered in the course of their employment for their own personal gain or benefit. For example, if, in his or her capacity as an Advisory Representative, the Advisory Representative is approached about or otherwise becomes aware of a potential investment that may be appropriate for the Company, such individual should not take that opportunity for him or herself, but rather should bring it to the attention of his or her manager or other appropriate Company personnel.

Conflicts From Ownership or Investments.

No Advisory Representative may, without disclosure to, and the written consent of, his or her manager or the Co-General Counsel, have either a direct or an indirect Beneficial Ownership or other interest in any supplier of goods or services to the Company, any client of the Company, or any competitor of the Company. In general, it would not be a violation of this Compliance Code to own up to one half of one percent (0.5%) of the securities of any such company if the securities are publicly traded, unless the Company is a significant customer, supplier, or competitor of such publicly traded company, which, while not automatically prohibited, will be reviewed on a case-by-case basis. Nevertheless, all such relationships are subject to the disclosure and consent process described above.

Conflicts from Outside Activities.

The Company generally encourages Advisory Representatives to participate in community, charitable and other outside activities. However, each Advisory Representative is expected to avoid any outside personal interest or activity (whether or not for profit) that may interfere with, or create a conflict or an appearance of a conflict of interest with, his or her duties to the Company. As a guideline, any such activities may not encroach on time or attention that the Advisory Representative should be devoting to Company business; adversely affect the quality of his or her work; compete with the Company's business or imply Company sponsorship or support (for example, through use of Company stationery); and/or adversely affect the Company's reputation or image, or those of its affiliates.

Further, no Advisory Representative may accept employment with another employer or perform consulting work or engage in other outside business activities, such as board membership (whether or not for compensation), unless previously approved by the Co-General Counsel or the Chief Executive Officer.

Conflicts from Gifts and Entertainment.

Occasional business gifts to, entertainment of and favors for employees of the Company's current or prospective clients or suppliers in connection with business discussions or the development of business relationships are generally deemed appropriate in the conduct of Company business, if they are legal, infrequent, reasonable and not extravagant or are customary in the Company's line of business and would not result in embarrassment to the Company if they were to be publicly disclosed.

Gifts, entertainment or favors in any form, given or received, that would likely result in a feeling or expectation of personal or professional obligation are prohibited. Advisory Representatives must be aware of, and comply with, any policies of the Company's clients and suppliers relating to the receipt of gifts by their employees.

Conflicts in Selecting Affiliated Service Providers for Clients or Their Real Estate Investments.

From time to time, the Company or its affiliates may have the authority to select various service providers for its real estate investment vehicle clients or with respect to their investments in real property (e.g., real estate brokers, property managers, legal counsel, etc.). Before the selection of any such service provider, the Company's Executive Committee will be asked whether there are any known affiliations or relationships with the proposed service provider (or any other matters that may give rise to an actual or apparent conflict of interest). If any such affiliations, relationships or other conflicts (whether actual or apparent) are identified, the Company will endeavor to resolve the conflict in an appropriate manner (e.g., disclosure in the offering document, documentation of the reasonableness of the fees and other terms (i.e., based on terms that would have been obtained in a comparable arm's length transaction) and the quality of the services compared to the services that would have been provided in an arm's length transaction); disclosure of the matter to the client's advisory or similar committee and obtain the consent of the committee).

Political Contributions.

Advisory Representatives may be asked from time to time to make political contributions or may desire to make such contributions. While contributing to candidates and political groups one supports is, of course, a fundamental exercise of one's individual liberty, unfortunately, the increasingly complex patchwork of Municipal, County, State and Federal law and regulation governing political contributions could operate to place both the Advisory Representative and Starwood at inadvertent risk. Under evolving rules, the very act of making a lawful contribution to a State or local candidate could preclude Starwood from doing business with certain instrumentalities of that State or locale. State pension funds currently represent one of Starwood's most important investor sources, and the Company is always seeking new investor relationships with State, County and Municipal pension funds. Thus, it is very important that Starwood's ability to access current and new investors not be curtailed by political contributions made in ignorance of the relevant restrictions.

In addition, new reporting requirements are emerging at the State and local level that, if ignored, could result in a loss of potential investors to Starwood. So for all of the above reasons, Starwood has implemented the following policies:

- No Advisory Representative may pay, solicit, or accept bribes or kickbacks.
- If an Advisory Representative is solicited by a current or potential advisory client to contribute to a political campaign personally or as agent of the Company, the Advisory Representative must immediately contact Madison Grose, Co-General Counsel, for guidance and approval before doing so.
- Any Advisory Representative desiring to make a political contribution, whether or not solicited, and whether to a candidate, political party, PAC or other political organization, must request prior authorization to do so. Contributions include any payment, loan, and transfer of money or other item of value.
- Advisory Representatives must contact Madison Grose, Co-General Counsel (or if unavailable the Chief Compliance Officer), by e-mail at least three days prior to making such contribution, and provide information about the proposed contribution, such as the intended recipient of the contribution, the amount of the proposed contribution, and any other pertinent information.
- At its discretion, Starwood may refer any political contribution request to the Company's outside legal counsel to determine if there are any resulting legal issues for the Company. This analysis relates solely to the impact of such contribution on Starwood and not the Advisory Representative. Starwood may choose to convey to the Advisory Representative the conclusions of counsel and the recommendation based on such conclusions. Should an Advisory Representative desire an opinion as to whether a contribution is violating any law, the Representative should engage his/her own counsel at his or her own expense.

Confidential Information and Other Company Property.

Confidential Information. Advisory Representatives may have access to confidential, proprietary or other sensitive regarding the Company, its affiliates or clients that has not been made public. Such information may include, but is not limited to, certain financial information and proprietary information that gives the Company an advantage over competitors who do not know the information or that would be harmful to the Company or certain third parties if disclosed. Protection of confidential information is critical to our ability to successfully do business, grow and compete. Accordingly, no Advisory Representative may:

- Disclose the information outside of the Company, except as expressly authorized by a member of management.
- Use the information for any purpose except to benefit the Company or its clients.
- Disclose the information within the Company, except to those who need to know or use the information and who are aware that it must be protected.

Each Advisory Representative must promptly notify his or her supervisor and a Co-General Counsel if he or she becomes aware of an intentional or unintentional improper disclosure of confidential information.

Intellectual Property. All Advisory Representatives must take steps to protect the intellectual property (i.e., trademarks, copyrights and trade secrets of the Company) in accordance with the confidentiality or similar agreement that he or she signed upon association with the Company.

Other Company Assets. All Advisory Representatives are expected to protect the Company's assets and strive to ensure their proper use. Company assets include not only confidential information, funds, equipment and products, but also the Company's resources, time and facilities. All Company assets should be used solely for legitimate Company business purposes.

Cameras and Recording Devices. Except as authorized in writing by the Co-General Counsel, Advisory Representatives are prohibited from using sound or image recording devices of any kind (including, but not limited to tape recorders, video recorders, cameras, and cell phone cameras) to record or create images of Company records, the Company's facilities, any other Company assets, and conversations that take place either on Company property or that involve the Company's business.

***Consequences of Violations.* Any person who violates this Code or applicable law, willfully fails to comply with applicable requirements of the Code or applicable law, makes false reports under the Code or pursuant to applicable law, or fails to cooperate fully in investigations of violations or potential violations of this Code or applicable law is subject to disciplinary action as deemed appropriate in the Company's sole and absolute discretion. Disciplinary action can include, but is not limited to, withholding of all or a portion of a discretionary bonus, or termination or suspension of employment or association with the Company, as determined in the sole and absolute discretion of the Company's senior management. Further, violations of this Code or applicable law can lead to damages in civil lawsuits or fines and imprisonment in criminal actions.**