

# **Apollo Global Real Estate Management, L.P.**

## **FORM ADV PART 2A**

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**This brochure provides information about the qualifications and business practices of Apollo Global Real Estate Management, L.P. (“AGREM”). If you have any questions about the contents of this brochure (“Brochure”), please contact us at (212) 515-3200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about AGREM also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

AGREM is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

## **ITEM 2**

### **Material Changes**

AGREM, an indirect subsidiary of Apollo Global Management, LLC, a Delaware limited liability company (“AGM” and together with its subsidiaries, “Apollo”), is required to identify and discuss material changes made to this Brochure since its last annual update filed on March 30, 2012. Accordingly, please note the following material changes:

In 2012, AGREM became the sole member of: (1) 2012 CMBS-I Management, LLC and (2) 2012 CMBS-II Management LLC. 2012 CMBS-I Management, LLC and 2012 CMBS-II Management LLC are registered with the SEC as investment advisers relying on AGREM’s investment adviser registration with the SEC pursuant to the SEC’s Division of Investment Management staff guidance issued in a no-action letter dated January 18, 2012, in response to the American Bar Association’s request for interpretive guidance (the “ABA No-Action Letter”).

## **ITEM 3**

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## ITEM 4

### Advisory Business

Apollo is a global alternative investment manager. Its primary business is to raise and invest private equity, credit and real estate funds as well as managed accounts, on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. Apollo has three primary business segments, including: (1) *Private Equity*, which primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments; (2) *Credit*, which primarily invests in non-control debt and non-control equity investments, including distressed debt securities; and (3) *Real Estate*, which primarily invests in legacy commercial mortgage-backed securities (“CMBS”), commercial first mortgage loans, mezzanine investments and other commercial real estate-related debt investments. Apollo also sponsors real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

AGREM is a fully-integrated operating division and indirect subsidiary of AGM led by Joseph Azrack, who has assembled a multi-disciplinary team of real estate investment professionals that work integrally with other Apollo investment groups to source, underwrite and structure investments in commercial real estate assets, companies, and operating platforms.

AGREM controls the real estate managers as set forth in (1) through (16) below (collectively, with AGREM, the “Apollo Real Estate Managers”), which generally serve as investment and administrative managers to the Apollo Real Estate Funds (as defined below).

(1) ACREFI Management, LLC (“ACREFI”): ACREFI is a Delaware limited liability company that serves as the investment manager to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation (“ARI”), a real estate finance company that has elected to qualify and be taxed as a real estate investment trust for United States federal income tax purposes. ARI was formed primarily to originate, invest in, acquire, and manage senior performing commercial real estate mortgage loans (loans on which the borrower is in substantial compliance with the terms of the loan agreement), CMBS, commercial real estate corporate debt and loans, and other commercial real estate-related debt investments in the United States.

(2) AGRE CMBS Management LLC (“CMBS Management”): CMBS Management is a Delaware limited liability company that serves as investment manager to AGRE CMBS Fund, L.P. AGRE CMBS Fund, L.P. was formed to target investments in CMBS eligible for funding under the Federal Reserve’s Term Asset-Backed Securities Loan Facility. CMBS Management may also serve as investment manager to additional funds in the future.

(3) AGRE CMBS Management II LLC (“CMBS Management II”): CMBS Management II is a Delaware limited liability company that serves as investment manager to, and provides non-discretionary investment advice to, the 2011 A4 Fund, L.P., a Delaware limited partnership (formerly AGRE CMBS Fund II L.P.). 2011 A4 Fund, L.P. was formed to target investments in certain eligible commercial mortgage-backed securities and/or short-term, fixed-income investments.

- (4) AGRE-CRE Debt Manager, LLC (“AGRE-CRE”): AGRE-CRE is a Delaware limited liability company that serves as investment manager to, and provides non-discretionary advice to, AGRE Debt Fund I, L.P., a Cayman exempted limited partnership. AGRE Debt Fund I, L.P. invests in commercial real estate property specific subordinate debt.
- (5) AGRE NA Legacy Management, LLC (“AGRE NA Legacy”): AGRE NA Legacy is a Delaware limited liability company that serves as investment manager to CPI Capital Partners North America LP, a Delaware limited partnership, CPI Capital Partners North America Offshore LP, a Delaware limited partnership, CPI Capital Partners North America Offshore (Cayman), L.P., a Cayman Islands limited partnership, CPI Capital Partners North America Offshore (WT) LP, a Delaware limited partnership, and CPI NA Co-Invest LP, a Delaware limited partnership, a collection of parallel funds. The funds pursue opportunistic real estate and real estate-related investments throughout North America.
- (6) AGRE NA Management, LLC (“AGRE NA”): AGRE NA is a Delaware limited liability company that acts as investment manager to AGRE U.S. Real Estate Fund, L.P., a Delaware limited partnership. AGRE U.S. Real Estate Fund, L.P. pursues investment opportunities to recapitalize, restructure and acquire real estate assets, portfolios and companies primarily in the United States.
- (7) AGRE Asia Pacific Legacy Management, LLC (“AGRE Asia Legacy”): AGRE Asia Legacy is a Delaware limited liability company that serves as investment manager to CPI Capital Partners Asia Pacific, L.P., a Cayman Islands limited partnership, and its parallel funds. CPI Capital Partners Asia Pacific, L.P. is a closed-end fund, which pursues opportunistic real estate and real estate-related investments throughout the Asia Pacific region.
- (8) AGRE Asia Pacific Management, LLC (“AGRE Asia”): AGRE Asia is a Delaware limited liability company that serves as investment manager to AGRE Asia Pacific Real Estate Fund, L.P., a Cayman Islands limited partnership. AGRE Asia Pacific Real Estate Fund, L.P. pursues opportunistic real estate and real estate-related investments to recapitalize, restructure and acquire real estate assets, portfolios, operating platforms and companies throughout the Asia Pacific region.
- (9) AGRE Europe Legacy Management, LLC (“AGRE Europe Legacy”): AGRE Europe Legacy is a Delaware limited liability company that serves as investment manager to CPI Capital Partners Europe, L.P., an English limited partnership, and CPI Capital Partners Europe (NFR), L.P., an English limited partnership. CPI Capital Partners Europe, L.P. and CPI Capital Partners Europe (NFR), L.P. are parallel funds, which pursue opportunistic real estate and real estate-related transactions in France.
- (10) AGRE Europe Management, LLC (“AGRE Europe”): AGRE Europe is a Delaware limited liability company that serves as the investment manager to Apollo GSS Holdings (Cayman), L.P., a Cayman Islands limited partnership, that was formed to invest in partnership with a UK-based property firm in a strategic real estate opportunity in Europe.
- (11) AGRE-E Legacy Management, LLC (“AGRE-E”): AGRE-E is a Delaware limited liability company that serves as sub-advisor to certain real estate investment mandates for which

Citigroup Alternative Investments LLC serves as general partner, co-general partner, manager, advisor and/or administrator. AGRE-E also serves as asset manager to a portfolio wholly-owned by Citigroup Alternative Investments LLC, consisting of real estate and real estate-related assets and certain shareholder, membership and limited partner interests in real estate investment vehicles.

(12) AGRE-E2 Legacy Management, LLC (“AGRE-E2”): AGRE-E2 is a Delaware limited liability company. AGRE-E2 also serves as asset manager to a portfolio wholly-owned by Citigroup Alternative Investments LLC, consisting of real estate and real estate-related assets and certain shareholder, membership and limited partner interests in real estate investment vehicles.

(13) CPI CEE Management LLC (“CPI CEE”): CPI CEE is a Delaware limited liability company that serves as managing shareholder to CPI CEE Limited, CPI CEE Co-Invest Limited, CPI CEE Co-Invest 2 Limited, and CPI CEE Co-Invest 3 Limited, a collection of Jersey limited company parallel funds. The funds invest in Atrium European Real Estate Limited, a leading real estate investor/developer in Central and Eastern Europe and the Commonwealth of Independent States that is focused on retail properties.

(14) 2012 CMBS-I Management, LLC (“2012 CMBS-I”): 2012 CMBS-I is a Delaware limited liability company that serves as investment manager to, and provides non-discretionary investment advice to 2012 CMBS-I Fund, L.P., a Delaware limited partnership. 2012 CMBS-I Fund, L.P. was formed to target investments in certain eligible CMBS and/or short-term fixed-income investments.

(15) 2012 CMBS-II Management LLC (“2012 CMBS-II”): 2012 CMBS-II is a Delaware limited liability company that serves as investment manager to, and provides non-discretionary investment advice to 2012 CMBS-II Fund, L.P., a Delaware limited partnership. 2012 CMBS-II Fund, L.P. was formed to target investments in certain eligible CMBS and/or short-term fixed-income investments.

(16) 2012 CMBS-III Management LLC (“2012 CMBS-III”): 2012 CMBS-III is a Delaware limited liability company that serves as investment manager to, and provides non-discretionary investment advice to 2012 CMBS-III Fund, L.P., a Delaware limited partnership. 2012 CMBS-III Fund, L.P. was formed to target investments in certain eligible CMBS and/or short-term fixed-income investments.

As supervised persons of AGREM, ACREFI, CMBS Management, CMBS Management II, AGRE-CRE, AGRE NA Legacy, AGRE NA, AGRE Asia Legacy, AGRE Asia, AGRE Europe Legacy, AGRE Europe, AGRE-E, AGRE-E2, CPI CEE, 2012 CMBS-I, 2012 CMBS-II, and 2012 CMBS-III intend to conduct their activities in accordance with the Advisers Act, and the rules thereunder. Any employees of such Apollo Real Estate Managers, and any other persons acting on their behalf, are and shall be subject to the supervision and control of AGREM. ACREFI, CMBS Management, CMBS Management II, AGRE-CRE, AGRE NA Legacy, AGRE NA, AGRE Asia Legacy, AGRE Asia, AGRE Europe Legacy, AGRE Europe, AGRE-E, AGRE-E2, CPI CEE, 2012 CMBS-I, 2012 CMBS-II, and 2012 CMBS-III are registered with the SEC as

investment advisers relying on AGREM's investment adviser registration with the SEC pursuant to the ABA No-Action Letter.

The funds managed by the Apollo Real Estate Managers described in (1)-(16) above, are referred to as "Apollo Real Estate Funds." The Apollo Real Estate Funds and the funds or separate accounts managed by the Apollo Managers (as defined below) are collectively referred to as the "Apollo Funds," and the Apollo Funds, together with any Co-Investment Vehicle (as defined below), real estate investment trust or other investment vehicle advised by the Apollo Real Estate Managers, are referred to as "Clients."

In addition, the Apollo Real Estate Managers may serve as investment managers to various co-investment vehicles structured to facilitate investments by affiliated and third-party co-investors ("Co-Investment Vehicles") alongside Clients. To the extent that a particular investment opportunity exceeds the desired aggregate allocation to a Client, in view of investment size, type, available capital, diversification, location, holding period and other relevant considerations, the Apollo Real Estate Managers may offer such co-investment opportunities to its affiliates or to third parties. The Apollo Real Estate Managers and their affiliates may also offer co-investment opportunities to other Clients, persons or firms who the Apollo Real Estate Managers or their affiliates believe will be of benefit to Clients and/or may provide a strategic benefit to one or more of the Apollo Real Estate Managers. The Apollo Real Estate Managers may also organize one or more Co-Investment Vehicles to invest in other Clients or to co-invest alongside other Clients to facilitate personal investments by such persons or firms and by partners, officers and employees and their related parties and associates of the Apollo Real Estate Managers or of control entities. The Apollo Real Estate Managers and their affiliates may elect not to charge a management fee to or receive carried interest from such Co-Investment Vehicles. An Apollo Real Estate Manager and any of its affiliates may charge carried interest, management and other fees to any co-investors.

In addition to the foregoing, the Apollo Managers (including the Apollo Real Estate Managers) serve as the investment managers to a number of special purpose vehicles through which several Apollo Funds have invested. The Apollo Managers generally form special purpose vehicles to facilitate portfolio investments by Apollo Funds for tax, regulatory, or economic purposes. The Apollo Manager that acts as the investment manager to a particular special purpose vehicle is determined on the basis of the Apollo Fund that invests through such special purpose vehicle.

AGREM has also been engaged by Athene Asset Management, LLC, an affiliate of Apollo, to serve as sub-manager to one or more accounts as may be designated by certain affiliated and unaffiliated third party insurance companies.

In the future, the Apollo Real Estate Managers may provide investment management services to additional real estate investment trusts, private pooled investment vehicles that are offered to investors on a private placement basis, and separate accounts.

The Apollo Real Estate Managers or one or more of their affiliates may enter into strategic partnerships directly or indirectly with investors that commit significant capital to a range of Apollo's platform of products, investment ideas and asset classes and over a duration that is generally longer than the term of a typical Client. Strategic partnership arrangements may

include Apollo granting certain preferential terms to such investors, including a waiver or reduction of management fees, a blended management fee and carried interest rates that are lower than those applicable to or in the Clients in which such investors invest.

Depending on the governing documents of any Client into which strategic partnership vehicles and accounts invest, such preferential terms may not be subject to the “most favored nation” provisions of the Client. In any event, where any such vehicles or accounts invest in a Client on the same terms as other investors, but receive a lower blended management fee or carried interest rate to their portfolio as a whole through the strategic account, such indirect preferential terms (or other preferential terms set forth in the governing documents of such vehicles or accounts) will not be subject to the Client’s “most favored nation” provisions. This may be the case even in those instances where such “most favored nation” or other similar provisions (based in side letters with other investors) suggest that they ought to apply to the terms set forth in the governing document of such Clients. In addition, investors in strategic partnerships may be represented by members on such Clients’ advisory boards. Potential conflicts of interest involving members of Client’s advisory boards are discussed in Item 10.

The advisory relationship between each Client and the relevant Apollo Real Estate Manager is generally governed by the respective investment management agreement between the Client and the Apollo Real Estate Manager (“Management Agreement”). The Management Agreements for certain Apollo Real Estate Funds are generally negotiated between related parties and, as such, their terms, including the fees payable to the Apollo Real Estate Managers, may not be as favorable to the Clients as if they had been negotiated with an unaffiliated, unrelated third party.

The Apollo Real Estate Managers generally seek to acquire, develop, reposition, manage and operate real estate and real estate-related assets in North America, Asia, and Europe. The Apollo Real Estate Managers may also offer advice on the following securities, financial instruments and transactions consistent with the respective Client’s investment strategies and objectives, including (i) CMBS, (ii) whole loans, (iii) commercial real estate corporate debt and loans, (iv) mezzanine loans, (v) commercial real estate mortgage loans, (vi) recapitalization and restructuring of real estate property, (vii) acquisitions of real property, and (viii) non-performing loans. In connection with certain investments, the Apollo Real Estate Managers may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates and may employ leverage in connection with Clients’ investment activities. The Apollo Real Estate Managers may pursue additional opportunistic investment strategies on behalf of Clients consistent with the investment objectives set forth in the constituent documents of such Clients.

The investments of certain Apollo Real Estate Funds are subject to diversification and geographic limitations as set forth in the constituent documents of each Apollo Real Estate Fund, as well as limitations on the amount of leverage that the Apollo Real Estate Managers may utilize in connection with the investment activities of the Apollo Real Estate Fund.

Except in limited circumstances, the Apollo Real Estate Managers have full discretionary authority with respect to the investment decisions of their Clients; however, their advice is provided in accordance with the investment objectives and guidelines set forth in each Client’s offering memoranda, constituent documents, and/or investment guidelines. Clients may also be



solicited to invest in one or more private pooled investment vehicles managed by Apollo Real Estate Managers or another Apollo Fund.

Further, the Apollo Real Estate Managers may enter into side letters with certain limited partners of the Apollo Real Estate Funds that impose additional restrictions on the Apollo Real Estate Manager's discretionary authority, including limitations on investing in certain types of securities, countries, geographies or businesses with respect to such limited partners.

ACREFI's management of the business affairs of ARI will be conducted in conformity with the policies and the investment guidelines of ARI that are approved and monitored by ARI's board of directors. In addition, ACREFI's role as the manager of ARI is subject to the supervision and direction of the ARI's board of directors.

As of March 31, 2013, AGREM managed \$7,966,412,684 of Client assets on a discretionary basis. AGREM does not manage any assets on a non-discretionary basis.

## **ITEM 5**

### **Fees and Compensation**

The Apollo Real Estate Managers and their affiliates may charge carried interest, management fees and other fees to Clients. The specific payment terms and other conditions of the management fee and carried interest compensation available to the Apollo Real Estate Managers (other than ARI) are set forth in the relevant private placement memoranda and constituent documents and, with respect to ARI, in its Form S-11 Registration Statement filed with the SEC. All performance fees payable to the Apollo Real Estate Managers and/or their affiliates will be effected consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder.

Management fees, performance fees and other fees paid by the Apollo Real Estate Funds to the Apollo Real Estate Managers are not generally negotiated, although the Apollo Real Estate Managers may negotiate fees with limited partners or shareholders in the Apollo Real Estate Funds or for co-investment opportunities in Co-Investment Vehicles outside of the Apollo Real Estate Funds. With respect to private investment funds that the Apollo Real Estate Managers may raise in the future, certain limited partners or shareholders may seek to negotiate terms (including fees payable to the Apollo Real Estate Managers) through the negotiation of the limited partnership agreement, other similar documents, or through side letters. Investors are not permitted to negotiate the constituent documents of ARI.

*Organizational Expenses.* Each Client will typically pay or otherwise bear all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or sale of interests in, such Client, its general partner or similar person and/or investment manager, including commissions, costs, fees and expenses of any placement agent or finder and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, travel (which may, on occasion, include travel by way of non-commercial planes at the available charter rate), accommodation, meal and other similar fees, costs and expenses. Not all Clients will have the same fees, costs and expenses, however. Clients will typically receive a reduction in

management fees in respect of placement agent fees (on a dollar-for-dollar basis) and a portion of such offering and organizational expenses (in excess of specific amounts as provided for in their governing documents).

*Operating Expenses.* In addition, each Client, subject to its governing documents, will typically pay or otherwise bear all fees, costs, expenses and other liabilities arising in connection with its operations (collectively, the “Operating Expenses”). The Operating Expenses of a particular Client are set forth in its constituent documents and may include, without limitation, the following:

- (i) fees, costs and expenses related to or arising from:
  - (a) the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of portfolio investments (including brokerage commissions, clearing and settlement charges, private placement fees, syndication fees, solicitation fees, arranger fees, sales commissions, pricing and valuation fees (including appraisal fees), underwriting commissions and discounts, investment banking fees, advisory fees, bank charges, other investment costs, and other closing, execution and transaction costs, broken deal costs, custodial, trustee, transfer agent, recordkeeping and other administrative fees costs and expenses);
  - (b) any credit facility, guarantee, letter of credit or similar credit support or one or more other similar financing transactions involving any portfolio investment;
  - (c) the evaluation of potential portfolio investments (irrespective of whether any such investment is ultimately consummated); and
  - (d) attending conferences in connection with the evaluation of future portfolio investments or business sector opportunities (including the evaluation of potential portfolio investments, irrespective of whether any such portfolio investment is ultimately consummated);
- (ii) any travel related expenses related to or arising from the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of portfolio investments, including potential portfolio investments (which may, on occasion, include travel by way of non-commercial planes at the available charter rate);
- (iii) taxes and other governmental charges incurred or payable by such Client;
- (iv) fees, costs and expenses of actuaries, accountants, advisers, auditors, administrators, counsel, valuation experts and other service providers that provide services to, or with respect to, such Client, and legal expenses incurred in connection with claims or disputes related to one or more actual, unconsummated or proposed portfolio investments;

- (v) compensation and other similar expenses of professionals (including Apollo Investment Consulting LLC (“Apollo Consulting”) and any industry executives, advisers, consultants, operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to such Client or its portfolio investments (including with respect to its potential portfolio investments) related to, among other things (x) conducting due diligence on or analysis of industry, geopolitical or other operational issues, and (y) operational improvement initiatives relating to portfolio investments, and developing and implementing such initiatives;
- (vi) fees, costs and expenses incurred in obtaining research and other information for the benefit of such Client, including information service subscriptions as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other information (such as phone and internet charges);
- (vii) fees, costs and expenses incurred in developing, implementing or maintaining computer software and technological systems for the benefit of such Client, its investors or its portfolio investments (including potential portfolio investments);
- (viii) fees, costs and expenses incurred in connection with systems, including, but not limited to, licenses, development and hosting;
- (ix) fees, costs and expenses associated with maintaining such Client and any of its subsidiary entities, including fees, costs and expenses incurred in the organization, operation and restructuring of such subsidiary entities;
- (x) premiums and fees for insurance allocated to such Client (including Apollo’s group insurance policy, general partner’s, directors’ and officers’ liability or other similar insurance policies, errors and omissions insurance), financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such Client, litigation expenses (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and other extraordinary expenses (including fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles (“GAAP”));
- (xi) fees, costs and expenses incurred in connection with the preparation of all reports to such Client’s investors or advisory board (including all fees, costs and expenses incurred to audit such reports, provide access to a database or other internet forum and for any other operational, legal, secretarial or postage expenses relating thereto or arising in connection with the distribution of the same), and any other financial, tax, accounting or fund administration reporting functions (including expenses associated with the preparation of financial statements, tax returns, and Internal Revenue Service Schedules “K-1” or any successors thereto and the tax matters partner’s representation of such Client or its investors);

- (xii) fees, costs and expenses of such Client's advisory board (including accommodations, meals, events, entertainment and other similar fees, costs and expenses in connection with any meetings of such advisory board);
- (xiii) fees, costs and expenses of holding any meetings of investors of such Client (including accommodations, meals, events, entertainment and other similar fees, costs and expenses);
- (xiv) such Client's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such Client's governing documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim that may be subject to a right of indemnification under such Client's governing documents);
- (xv) fees, costs and expenses (including legal fees, costs and expenses) incurred to comply with any applicable law, rule or regulation (including regulatory filing or other expenses of such Client, its general partner or similar person and/or investment advisor, including, but not limited to, Form PF filings) or incurred in connection with any governmental inquiry, investigation, or proceeding involving such Client (including litigation expenses, the amount of any judgments, settlements or fines paid in connection therewith);
- (xvi) fees, costs and expenses related to a default by a defaulting investor of such Client (but only to the extent not paid by the defaulting investor);
- (xvii) fees, costs and expenses related to a sale, assignment, pledge or transfer of an investor's interest in such Client or an investor's withdrawal or admission or acquisition of interests as permitted under such Client's governing documents (but only to the extent not paid by the investor and/or the purchaser, assignee, pledgee or transferee, as applicable);
- (xviii) fees, costs and expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of the Client or its general partner or similar person and/or investment advisor;
- (xix) fees, costs and expenses incurred in connection with distributions to investors;
- (xx) interest on, and fees, costs and expenses arising out of such Client's borrowings and indebtedness (including the fees, costs and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of such Client), securing the same by mortgage, pledge or other lien on any assets of the Client or otherwise encumbering assets in connection with or in furtherance of the acquisition of all or a portion of or the financing of a portfolio investment or its acquisitions;
- (xxi) fees, costs and expenses incurred in connection with the dissolution, winding-up and termination of such Client; and

- (xxii) all similar expenses in connection with such Client's feeder funds and subsidiary entities.

The foregoing categories of fees, costs, expenses and other liabilities shall be Operating Expenses regardless of whether the person or entity providing or performing the service or output giving rise to such fees, costs, expenses or other liabilities is the general partner or similar person of such Client, its investment advisor or any of their respective affiliates or any other person. Such general partner or similar person, investment advisor or any of their respective affiliates shall be entitled to reimbursement from such Client or its portfolio investment for: (i) any Operating Expenses paid and/or incurred by them on behalf of such Client, including fees, costs and expenses incurred in connection with services performed by personnel or employees of the general partner or similar person of such Client, its investment advisor or any of their respective affiliates or any other person. In addition, if any service provider provides services to a Client on an Apollo Manager or its affiliates' premises, such Client may also be responsible for any overhead, rent or other fees, costs, and expenses charged by an Apollo Manager or its affiliates in connection with such on-site arrangement.

The Apollo Real Estate Managers or their affiliates may from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to the Apollo Real Estate Managers and their affiliates. For example, certain law firms retained by AGREM or one or more of its affiliates have in the past offered fee discounts for non-investment transaction legal services, such as legal advice in connection with firm operational, compliance and related matters. To the extent such law firms also provide legal services to Clients with respect to such matters, such Clients also enjoy the benefit of such fee discount arrangements. Legal services rendered for investment transactions, however, are typically charged to the Apollo Real Estate Managers, their affiliates and Clients on a "full freight" basis.

*Allocation of Expenses.* The Apollo Real Estate Managers and their affiliates may from time to time incur fees, costs and expenses on behalf of more than one Client or multiple Clients. To the extent such fees, costs and expenses are incurred for the account or benefit of more than one Client, each Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable governing documents) or in such other manner as the Apollo Real Estate Managers consider fair and reasonable. Apollo Real Estate Managers endeavor to allocate such fees, costs and expenses on a fair and reasonable basis. See also "Terms of Co-Investments" below. In addition to the foregoing, with respect to Apollo's group insurance policy, 80% of the premiums are currently allocated among all Clients covered by the policy, while the remaining portion is borne by Apollo (as defined below). Notwithstanding the foregoing, the Apollo Real Estate Managers may in the future develop policies and procedures to address the allocation of expenses (including with respect to such insurance premiums) that differ from its current practice.

*Apollo Consulting.* As mentioned in clause (v) of "Operating Expenses" above, Clients may bear the fees, cost or expenses of certain services provided by Apollo Consulting. Apollo Consulting is an affiliate of the Apollo Real Estate Managers that facilitates strategic arrangements with industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity who provide consulting and other services to Clients or their

portfolio investments (including with respect to potential investments) related to, among other things, (i) conducting due diligence or analysis on industry, geopolitical or other operational issues, and (ii) operational improvement initiatives relating to such portfolio investments and developing and implementing such initiatives. While Apollo Consulting does not generate meaningful profits as a standalone business, Clients that engage its services may be charged a fee to cover Apollo Consulting's fees, costs and expenses incurred in connection with its engagement of consultants and any other operating expenses (including its overhead expenses).

In the case of private fund Clients, the applicable general partner and/or the relevant Apollo Real Estate Manager will generally have the unilateral discretion to waive or modify the application of certain provisions of the governing documents for each private fund with respect to an investor in such private fund (including those related to management fees, carried interest, transparency, and withdrawals) without obtaining the consent of any other investor. The applicable general partner and/or Apollo Real Estate Manager will generally waive all fees and performance allocations from Apollo principals and employees of Apollo Real Estate Managers and their affiliates, as well as for their family members.

The limited partnership agreements of the Apollo Real Estate Funds (other than ARI) generally provide that limited partners are required to contribute capital to pay their *pro rata* share of management fees to the relevant Apollo Real Estate Manager upon the receipt of a capital call from the general partner of the Apollo Real Estate Fund. If the general partner effects a capital call for a contribution of capital by limited partners to pay management fees, the general partner is generally required to specify in the capital demand notice information regarding the nature and amount of the management fee. The general partners of the Apollo Real Estate Funds generally may also elect to apply distributable proceeds from the sale of an investment to pay management fees. The Apollo Real Estate Funds generally pay the management fee to the applicable Apollo Real Estate Manager either monthly or quarterly in advance. Management fees with respect to ARI are deducted on a quarterly basis from the assets of ARI.

The Apollo Real Estate Managers may have the right to receive certain fees in connection with Clients' portfolio investments, such as break-up fees and/or transaction fees. Some or all of such break-up fees, transaction fees and/or monitoring fees generally reduce the management fee payable to the Apollo Real Estate Managers. The specific payment terms and other conditions of any such fees available to the Apollo Real Estate Managers are set forth in the relevant private placement memoranda and constituent documents.

The Apollo Real Estate Managers provide consulting services to portfolio companies, devoting significant internal resources to improving the business and management of such companies. In consideration of providing such consulting services, the Apollo Real Estate Managers may receive monitoring fees from the portfolio companies, as discussed above.

Clients will also bear expenses related to brokerage expenses and portfolio transactions as described in Item 12 below.

In addition, the Apollo Real Estate Managers may engage, or cause the Apollo Real Estate Funds to engage, placement agents to market and sell interests or shares in Apollo Real Estate Funds to prospective investors. Apollo requires placement agents to have all appropriate licenses and

registrations to conduct their business, including when applicable, to be registered as broker-dealers with the SEC and to be members of the Financial Industry Regulatory Authority. Alternatively, the applicable Apollo Real Estate Manager may elect to reduce its management fee to the extent any placement fees are borne by the Apollo Real Estate Fund as contemplated by the governing documents of the relevant Apollo Real Estate Fund. See “Organizational Expenses” in Item 5 for further details.

The Management Agreements of the Apollo Real Estate Funds (other than ARI) may be terminated upon the winding-up of the Apollo Real Estate Fund or in the event that a specified percentage of limited partners vote to (i) remove the general partner after the occurrence of an act of bad faith, gross negligence, willful misconduct or fraud by the general partner or the Apollo Real Estate Manager, or (ii) dissolve the Apollo Real Estate Fund. Prepaid management fees will not be returned to Clients in the event of termination of the Management Agreement.

The Management Agreement for ARI provides that, in the absence of cause, it may only be terminated by ARI after the third anniversary of the closing of its public offering upon the vote of at least two-thirds of the independent members of the board of directors based upon: (i) ACREFI’s unsatisfactory performance that is materially detrimental to ARI, or (ii) a determination that the management fee payable to ACREFI is not fair, subject to ACREFI’s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of the independent members of the board of directors. Additionally, upon a termination by ARI without cause (or upon a termination by ACREFI due to a material breach by ARI), the Management Agreement provides that ARI will pay ACREFI a termination fee (a “Termination Fee”).

The Termination Fee will be equal to three times the average annual base management fee earned by ACREFI during the prior 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to termination.

## **ITEM 6**

### **Performance-Based Fees and Side-by-Side Management**

As discussed in Item 5 above, the Apollo Real Estate Managers may charge carried interest, management fees and other fees to Clients. Each affiliate of the Apollo Real Estate Managers that serves as a general partner of an Apollo Real Estate Fund is entitled to receive performance-based compensation from such fund. ARI does not pay incentive fees to AGREM. In addition, the Apollo Real Estate Managers are also entitled to receive a management fee in consideration of advisory services provided to the Clients. Management fees may vary among the Clients.

The existence of carried interest or performance allocations with respect to Clients may create an incentive for the Apollo Real Estate Managers to make riskier or more speculative investments on behalf of Clients than they might otherwise make in the absence of such performance-based compensation.

Similarly, the management fees, or higher management fees, may incentivize Apollo Real Estate Managers to dedicate increased resources and allocate more profitable investment opportunities to Clients who are charged such management fees or higher management fees. Further, the Apollo Real Estate Managers may be incentivized to allocate investment opportunities to Clients who either pay carried interest or a higher carried interest percentage to their general partners or to Clients whose current performance does not require them to reimburse limited partners for losses attributable to prior unprofitable investments before distributing carried interest to their general partners.

*Timing of Investment Realization.* In addition, the terms applicable to carried interest distributions could incentivize the Apollo Real Estate Managers and their affiliates to make decisions regarding the timing and structure of realizations of portfolio investments that may not be in the best interests of their Clients. For example, under the typical terms of an Apollo Real Estate Fund's distribution "waterfall", carried interest distributions become payable earlier if profitable investments are liquidated before unprofitable investments because such a waterfall does not permit any distributions of carried interest until after the cumulative amount of distributions has covered any prior losses associated with unprofitable investments. Further, in the "catch-up" period that occurs after investors have received the applicable priority return (typically set at 8 percent per year, compounded annually), the general partner or similar person of such Apollo Real Estate Fund entitled to carried interest will typically receive 50 percent of distributions until such time as it receives 50 percent of the fund's cumulative profits. During this period, the general partner or similar person is heavily incentivized to bring realizations forward and lock in returns (and stop the accrual of the priority return), even though the investors might achieve a better overall return if the Apollo Real Estate Fund retained the investment for a longer period of time. The governing documents of the Apollo Real Estate Funds generally contain a requirement that the general partner or similar person make a commitment to the capital of the fund and include a "clawback" requiring the general partner or similar person to return excess distributions to investors (often at the end of the term of the fund) in the event that the general partner or similar person receives more than its carried interest percentage of profits on an aggregate basis over the life of the fund, each of which tends to mitigate the foregoing conflicts. However, since any "clawback" owed to investors of an Apollo Real Estate Fund is typically calculated on an after-tax basis under the applicable governing documents, investors may not ultimately receive their full share of profits that they would have otherwise received had there been no excess distribution to the general partner or similar person throughout the term of the Apollo Real Estate Fund.

In addition, the Apollo Real Estate Managers may be incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing management fees in the interim and, potentially, a more likely or larger carried interest distribution if such asset's value appreciates in the future. This incentive may be increased by the presence of clawbacks in certain Clients where the general partner or similar person is under an obligation to return to the Client's investors any excess carried interest distributions received by such general partner or similar person upon the Client's termination.

*Distribution in Kind.* While the governing documents of a Client typically specify an investment period within which investments may be consummated, there is generally more flexibility in the general partner's or similar person's discretion regarding when investments must be realized. In



addition, a Client may make portfolio investments that may not be advantageously disposed of prior to such Client's dissolution, either by expiration of its term or otherwise. Although the Apollo Real Estate Managers expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at termination, Clients may have to sell, distribute, or otherwise dispose of portfolio investments at a disadvantageous time as a result of dissolution. Further, Clients' governing documents do not typically impose a strict obligation on a Client's general partner or liquidator to realize investments within a certain period of time after dissolution, and there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to investors will occur.

Since assets distributed in kind tend to be illiquid in nature and, therefore, generally do not have readily available market value, the potential conflicts of interest described under "Valuation of Client Assets" below may also apply. Such investments may not be readily marketable or saleable and may have to be held by investors for an indefinite period of time. Widespread holding of portfolio investments, particularly of private illiquid securities, may also entail a significant administrative burden. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Reserves.* The governing documents of most Clients provide that distributions, including final distributions, to investors are generally subject to reserves or holdbacks for estimated accrued expenses, liabilities and contingencies. In addition, investors may be required to return amounts distributed to them to, among other things, fund indemnification obligations. The applicable laws in certain jurisdictions may also require investors that received a distribution in error or in violation of such law to, under certain circumstances, re-contribute such distributions back to the respective Clients.

*Investment Opportunity Allocation Conflicts.* For certain Apollo Real Estate Funds, the existence of the carried interest may create a potential conflict of interest for the general partner and applicable Apollo Real Estate Manager in valuing investments. For example, because distributions to the partners in certain Apollo Real Estate Funds are calculated in a "deal-by-deal" waterfall, the general partner will not receive a carried interest until the limited partners receive distributions equal to their share of writedowns not taken into account in prior distributions. This may create an incentive for the general partner and the applicable Apollo Real Estate Manager to avoid writing down the value of assets that are not readily marketable or difficult to value, because the general partner will be in a position to receive a higher carried interest. In addition, in the case where distributions-in-kind are made to a Client's investors, the general partner or applicable Apollo Real Estate Manager may be incentivized to employ valuation methodologies that may give rise to a higher valuation of such assets. The Apollo Real Estate Managers have prepared accounting guidelines regarding the recognition of asset impairment and has also adopted written valuation policies and procedures intended to address potential conflicts of interests that arise in respect of the valuation of its Clients' assets.

The Apollo Real Estate Managers accept performance-based fees and management fees from certain Clients. However, as described above, performance compensation and management fees are not charged to all Clients. The variation of compensation structures among Clients may create an incentive for the Apollo Real Estate Managers to direct the best investment ideas to, or allocate certain trades or investments in favor of, Clients that pay or allocate performance

compensation (or higher performance compensation) or management fees (or higher management fees).

*Allocation Among Clients.* The Apollo Real Estate Managers are committed to allocating investment opportunities among Clients in a manner that, over time, is on a fair and equitable basis and have established detailed policies and procedures to guide the determination of such allocations, which policies and procedures, among other things:

(i) establish the AGM Allocation Committee and sub-committees to, among other things: (A) determine the suitability of a potential investment opportunity for a particular Client taking into consideration the factors discussed below; (B) in the case of the AGM Allocation Committee, review the actions taken by the sub-committees and conflicts of interest that cannot be resolved by the sub-committees; (C) review any opportunities involving potential third-party co-investors and any opportunities involving a multi-strategy managed account; (D) if such conflicts cannot be resolved by portfolio managers, resolve potential conflicts of interest that arise where multiple Clients hold interests (including outright positions in issuers and exposure to such issuers derived through any synthetic and/or derivative instrument) in multiple tranches of securities of an issuer (or other interests of an issuer) or multiple Clients having interests in the same tranche of an issuer; (E) review and approve proposed allocations of investment opportunities among Apollo business units; and (F) review the allocation of opportunities to Apollo; and

(ii) establish allocation guidelines on which such committees may base their allocation decisions. Generally, an investment opportunity will be allocated to a Client if the opportunity reasonably falls within such Client's mandate as determined by the investment professional managing such Client's portfolio and confirmed by the relevant allocation sub-committee as appropriate (or, as needed, the AGM Allocations Committee). If an investment opportunity falls within the mandate of two or more Clients, and it is not possible to fully satisfy the investment interest of all such Clients, the investment opportunity will be allocated *pro rata* based on the size of each Client's original investment interest. The size of each Client's investment interest will be determined generally based on each Client's available capital or net asset value. However, many other factors may influence order allocation decisions, including, without limitation: (A) the relative actual or potential exposure of any particular Client to the type of investment opportunity in terms of its existing investment portfolio; (B) the investment objective of such Client; (C) cash availability, suitability, Client instructions, whether a purchase is being made for a specific Client, permitted leverage and available financing for the investment opportunity (including, without limitation, taking into account the levels/rates that would be required to obtain an appropriate return); (D) the likelihood of current income; (E) the size, liquidity and duration of the investment opportunity; (F) the seniority of loan and other capital structure criteria; (G) with respect to an investment opportunity originated by a third party, the relationship of a particular Client (or the portfolio manager) to or with such third party; (H) tax reasons; (I) regulatory reasons; (J) supply or demand for an investment opportunity at a given price level; (K) a Client's risk or investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage, liability duration or weighted average life, asset class type, or other similar risk metrics); (L) whether the investment opportunity is a follow-on investment; (M) whether the vehicle is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available

capital may be subjectively adjusted to account for anticipated inflows or redemptions); and (N) such other criteria as are reasonably related to a reasonable allocation of a particular investment opportunity to one or more Clients (*e.g.*, in the case of a Client ramp-up period or when incubating a particular investment strategy or product).

In determining whether an investment opportunity falls within a Client's mandate, the AGM Allocation Committee or an allocation sub-committee may take into consideration that: (i) multiple Clients have investment objectives that overlap to greater or lesser degrees; (ii) the applicable legal documents of each Client disclaim to greater or lesser degrees the obligation to offer such Client investment opportunities that fall within its investment objective or mandate; (iii) Apollo endeavors to not systematically disadvantage any Client; (iv) the investment objective of a particular Client may change over time; (v) the ultimate character of an investment opportunity (*i.e.*, its risk/reward profile) may not become clear until a great deal of diligence and analysis has been completed by the portfolio manager pursuing such investment opportunity; (vi) investment opportunities that are outcomes of heavily-negotiated transactions are capable of being structured in a variety of ways, each of which presents its own particular risk/reward profile; and (vii) a Client may have more than one mandate. There can be no assurance, however, that the application of the foregoing allocation policies will result in the allocation of a specific investment opportunity to a Client or that a Client will participate in all investment opportunities falling within its investment objective. Such considerations may also result in allocations of certain investments among Clients accounts on other than a *pari passu* basis.

Please see Item 10 with respect to a limited exception to these allocation policies that may exist where Athene Asset Management LLC and other Apollo Managers (as defined below) invest in the same strategies for different Clients.

*Allocation of Co-Investment Opportunities.* To the extent that a particular investment opportunity exceeds the aggregate allocation to Clients in light of the considerations described above, or there are prospective investors whose participation the Apollo Real Estate Managers or their affiliates believe will benefit one or more Clients, portfolio companies or investments, or who may provide a strategic, sourcing or similar benefit to one or more of the Apollo Real Estate Managers, a Client, a portfolio company or one or more of their respective affiliates due to industry expertise, end-user expertise or otherwise (each, a "Strategic Co-Investor"), the Apollo Real Estate Managers or their affiliates may, in their discretion, offer the opportunity to co-invest alongside one or more Clients to one or more such Strategic Co-Investors, any limited partner, shareholder or other investor of any Client, or any other person (including an Apollo Real Estate Manager or its affiliates, portfolio company management team members, consultants or advisors) (collectively, "Co-Investors"). Such co-investments may be structured through investment vehicles or similar arrangements organized to facilitate such investments or for legal, tax, regulatory or other purposes.

The Apollo Real Estate Managers and their affiliates may allocate co-investment opportunities among Co-Investors in any manner they so determine, taking into account those factors that they deem relevant under the circumstances, including, but not limited to: (i) whether a prospective Co-Investor has expressed an interest in participating in co-investment opportunities (including, for example, by election in such investor's subscription agreement or side letter); (ii) the character or nature of the co-investment opportunity (*e.g.*, its size, structure, geographic location,

relevant industry, tax characteristics and any contemplated minimum commitment threshold); (iii) the level of demand for participation in such co-investment opportunity; (iv) the ability of a prospective Co-Investor to analyze or consummate a potential co-investment opportunity on an expedited basis; (v) whether a prospective Co-Investor has previously declined to participate in a co-investment opportunity (and the number of times such prospective investor has previously declined); and (vi) as noted above, whether a prospective Co-Investor is also a Strategic Co-Investor. Notwithstanding the foregoing, the Apollo Real Estate Managers may in the future develop policies and procedures to address or formalize the allocation of co-investment opportunities. In any event, no person (including any limited partner, shareholder or other investor of any Client) other than a Client should have any expectation of receiving an investment opportunity or will be owed any duty or obligation in connection therewith, and Clients (and their respective limited partners, shareholders or other investors) should only have such expectations to the extent required by their governing documents (including, if applicable, their side letters).

*Terms of Co-Investments.* The Apollo Real Estate Managers or any of their affiliates may (or may not) in their discretion: (i) charge carried interest, incentive allocation, management fees or other similar fees to Co-Investors and the Apollo Real Estate Managers or their affiliates may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such carried interest, incentive allocation, management fees or other similar fees; and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements. Co-Investors will typically bear their *pro rata* share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments and may be required to pay their *pro rata* share of fees, costs and expenses related to their potential co-investments that are not consummated, such as breakup fees or broken deal expenses. To the extent Co-Investors do not agree to or do not otherwise bear fees, costs and expenses related to unconsummated co-investments, such fees, costs and expenses may be borne by the Apollo Real Estate Managers or their affiliates or, if consistent with their governing documents, by the relevant Clients on whose behalf the Apollo Real Estate Managers or their affiliates evaluated and pursued such investment. In addition, in the event that Co-Investors participate in a co-investment through a vehicle or vehicles managed by Apollo, they will generally also bear their *pro rata* share of the aggregate organizational costs and expenses of all such vehicles. Finally, some of the Co-Investors with whom Clients may co-invest have pre-existing investments with Apollo, and the terms of such pre-existing investments may differ from the terms upon which such persons may invest with Clients.

*Over-Commitment.* In order to facilitate the acquisition of a portfolio company, an Apollo Real Estate Manager or one or more of its affiliates may make (or commit to make), or may cause one or more of Clients to make (or commit to make), an investment in such company with a view to selling a portion of such investment to Co-Investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, Clients will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the applicable Clients may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company or may realize lower than expected returns from

such investment. The Apollo Real Estate Managers endeavor to address such risks by requiring such investments to be in the best interests of their Clients, regardless of whether any sell-down ultimately occurs. Neither the Apollo Real Estate Managers nor any of their affiliates will be deemed to have violated any duty or other obligation to Clients or any of their respective investors by engaging in such investment and sell-down activities.

*Valuation of Client Assets.* Certain assets owned by or managed for Clients are those for which there is no, or only a limited, liquid market, and the fair value of such assets may not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized upon the eventual disposition of the investment, and a Client's performance could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the investment. There may be situations in which the Apollo Real Estate Managers are potentially incentivized to influence or adjust the valuation of Client assets. For example, the Apollo Real Estate Managers could be incentivized to: (i) employ valuation methodologies that may improve a Client's track record; (ii) minimize losses from write downs that must be returned prior to an affiliate receiving a carried interest; or (iii) for certain Clients, employ valuation methodologies that may give rise to a higher valuation in order to increase fees, such as in the case of a management fee that is calculated as a percentage of the value of such Client's assets. The Apollo Real Estate Managers have adopted valuation policies to address these potential conflicts.

Financial reporting that is compliant with GAAP is required to follow the requirements for valuation set forth in Accounting Standards Codification 820 ("ASC 820"), "Fair Value Measurements and Disclosures" (formerly, Financial Accounting Standards No. 157, "Fair Value Measurements"), which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. Except as described below, the Apollo Real Estate Managers apply ASC 820 and other relevant Financial Accounting Standards Board ("FASB") statements and guidance to the valuation of its Clients' assets and liabilities. In particular, the Apollo Real Estate Managers apply the ASC 820 requirement that the fair value of an asset must reflect any restrictions on the sale, transfer or redemption of such asset—a requirement which may result in the imposition of a discount when determining the fair values of assets that are subject to such restrictions. ASC 820 and other accounting rules applicable to investment funds and their assets are evolving, and additional FASB statements and guidance and additional provisions of GAAP that may be adopted in the future may impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting. Such changes may adversely affect Clients. For example, to the extent that the rules governing the determination of the fair market value of assets change, such changes may increase the cost of fair market valuations.

Notwithstanding the foregoing, the Apollo Real Estate Managers may determine in certain instances to assign to a particular asset a different value, determined pursuant to the applicable Client's governing documents, than the value assigned to such asset for financial reporting purposes. In particular, the Apollo Real Estate Managers do not necessarily apply GAAP when determining whether an asset's decline in value is to be treated as significant and permanent for the purposes of determining distributions (including distributions of carried interest) and

management fees payable to or by their Clients or, as discussed further below, when valuing certain exchange-traded securities.

Accordingly, to the extent that GAAP would require any Client's assets or liabilities to be valued in a manner that differs from the terms of such Client's governing document, such assets or liabilities will be valued: (i) in accordance with GAAP, solely for purposes of preparing the Client's GAAP-compliant audited financial statements; and (ii) in accordance with the applicable governing document (without regard to any GAAP requirements relating to the determination of fair value) for all other purposes (including, without limitation, for purposes of determining distributions to and allocating gains and losses). Nevertheless, for certain Clients, the carried interest paid to such Client's general partner is subject to an escrow in order to maintain a certain "pro forma return ratio." This ratio compares the amounts held in the escrow account, plus the fair value of all investments held by the Client, against unreturned capital contributions funded for investments, management fees, Operating Expenses, offering and organizational expenses and placement fees. Generally, GAAP is applied when such fair value determinations are made, except as otherwise set forth in a Client's applicable governing documents (*e.g.*, for certain clients, GAAP is not applied to the valuation of exchange-traded securities held (i) directly by Clients as portfolio companies or (ii) indirectly by Clients through special purpose vehicles or other entities not considered to be portfolio companies of such Clients; in such case, the exchange-traded securities are valued for purposes of the calculation of the pro forma return ratio based on their average trading prices during the fifteen day period prior to and following the measurement date. Conversely, exchange-traded securities held by Clients indirectly through portfolio companies are valued in accordance with GAAP).

Clients may invest in securities or other assets that are illiquid and lack a readily assessable market value. Such illiquid investments are typically subject to the management fees described above and are valued pursuant to the Apollo Real Estate Managers' valuation procedures, unless specific valuation procedures have been agreed upon between the applicable Apollo Real Estate Manager and the Client. Where a Client is a private equity style fund, the Client's private equity-like assets may be valued at fair value or at an amount other than GAAP fair value (for example, historical cost) for financial statement reporting purposes unless the asset has suffered a permanent impairment in value for purposes of calculating fees and carried interest distributions. Valuing assets at other than GAAP valuations may result in the Apollo Real Estate Managers receiving higher (or lower) management fees than would otherwise be received if assets were valued at fair value. In addition, valuing assets at an amount other than fair value may result in the general partner of a Client receiving a higher (or lower) carried interest distribution or performance allocation than it would if assets are valued at fair value. If Client assets are valued at other than fair value, the Client's constituent documents generally will disclose the applicable valuation methodology.

## **ITEM 7**

### **Types of Clients**

The Apollo Real Estate Managers generally provide investment advice to pooled investment vehicles, such as private equity funds, Co-Investment Vehicles, and alternative investment vehicles, and real estate investment trusts.

With respect to Clients that are investment funds, the minimum investment amount is generally stated in the funds' respective offering documents. The general partners of the Apollo Real Estate Funds (other than ARI) may generally waive the applicable minimum at their respective discretion. ARI is publicly traded and investors may purchase shares at the effective purchase price on the date of the transaction.

Generally, investors participating in Apollo Real Estate Funds (other than ARI) are required to meet certain suitability and net worth qualifications, such as (i) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), (ii) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act") or (iii) a "knowledgeable employee" within the meaning of Rule 3c-5 of the Investment Company Act, depending on the applicable eligibility requirements of the respective Apollo Fund. ARI is a publicly traded real estate investment trust and does not have suitability or net worth qualifications.

## **ITEM 8**

### **Methods of Analysis, Investment Strategies, and Risk of Loss**

The following is a summary of the investment strategies and methods of analysis employed by the Apollo Real Estate Managers on behalf of Clients. This summary should not be interpreted to limit in any way Apollo's investment activities. Apollo may offer any advisory services, provide advice with respect to any investment strategies, and make any investments, including those that may not be described in this Brochure, that Apollo considers appropriate subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's private placement memorandum, subscription agreement, or other constituent documents.

#### **Investment Strategies:**

The Apollo Real Estate Managers seek to produce superior risk-adjusted returns by investing in fundamentally high quality properties, portfolios, operating platforms and companies that are improperly capitalized or under-managed or without proven operating partners with expertise in their local markets, so that the Apollo Real Estate Managers' financial resources, structuring expertise, management capabilities and industry relationships can materially enhance the operating and financial performance of the assets. The Apollo Real Estate Managers will seek to produce substantial returns and improve the operational performance and capitalization of investments through active asset management while preserving downside protection. The Apollo Real Estate Managers generally implement a fundamental value-based approach to all investments. This approach includes keeping a consistent view and focus on what real estate assets and cash flows should be worth in a stable and balanced market in order to identify opportunities to acquire assets when below this level and liquidate holdings when above; understanding and analyzing economic, financial, demographic and social factors impacting real estate supply and demand in local markets; and approaching opportunities with a comprehensive view of individual and macro factors which are likely to impact the valuation of the asset relative to other real estate or financial assets.

The Apollo Real Estate Managers intend to pursue investment opportunities where they not only perceive compelling valuation but can exercise control with aggressive asset management. The Apollo Real Estate Managers will institute and undertake a proactive asset management program customized for each investment and will generally seek to ultimately secure a controlling interest that assures its control of major investment decisions, including financing, capital expenditures, disposition, annual business plans and budgets, and the selection of third-party service providers. The Apollo Real Estate Managers' investments will ensure an alignment of interests between the Clients and any property-level operating partners or management teams, by creating a transaction structure that shares risk on the downside and incentivizes the partners or managers adequately on the upside.

Reflecting the Apollo Real Estate Managers' comprehensive due diligence process and the investment expertise of its investment professionals, each transaction will be rigorously reviewed to analyze risk factors, contingency plans, and potential exit scenarios. An understanding of the downside associated with each investment is integral to ensuring appropriate investment decisions are made. Extensive financial analysis will be prepared and focus on what-if scenarios to understand, price and structure and mitigate risk and the Apollo Real Estate Managers will employ aggressive asset management to ensure they are adequately managing risk from each investment's acquisition through to exit.

#### **Methods of Analysis:**

The Apollo Real Estate Managers generally oversee the execution of Clients' investment strategies by: (i) identifying unique investment opportunities with best-in-class partners and management teams; (ii) executing a comprehensive due diligence process; (iii) structuring investments in an efficient and flexible manner; (iv) implementing the appropriate business plans for each asset; (v) applying strong portfolio management; and (vi) maintaining and aggressively exploiting diverse exit options.

The Apollo Real Estate Managers may engage the services of experts and consultants to supplement their research, including engaging expert networks. Apollo's procedures regarding the use of expert networks are addressed in Item 11, and the general risks associated with the use of expert networks are set forth below under the heading "Risk of Loss."

A description of the Apollo Real Estate Managers' investment process is provided below:

- **Investment Sourcing:** The Apollo Real Estate Managers have broad relationships across the real estate finance, development, investment, operations, and management communities. These relationships may generate a substantial flow of investment opportunities, many of which may involve the restructuring of assets, portfolios, operating platforms and companies.
- **Investment Structuring:** The Apollo Real Estate Managers pursue investment opportunities only where they perceive compelling valuations, and realistic business plans, and can mitigate risk through the proper financial and capital structure, control, and aggressive asset management. The optimal investment structure will be achieved through rigorous market analysis; the development and comprehensive understanding of



a thoughtful business plan; a complete understanding of the asset(s), financial obligations and capital structure; financial modeling of alternative business strategies and capital structures; and thorough negotiations of purchase agreements, debt financings and equity partnerships.

- **Investment Underwriting:** The underwriting process is characterized by a series of ongoing collaborative discussions and debates among the members of the Investment Committee and the Apollo Real Estate Manager's respective investment team, with a fundamental philosophy of seeking to challenge or disprove any proposed investment thesis. Each Apollo Real Estate Manager's investment team has significant experience in most major property markets and employs a highly analytic, disciplined and value-driven approach. Each Apollo Real Estate Manager's team endeavors to avoid confirmation bias by actively seeking divergent views and non-conforming facts.
- **Investment Committee:** The Investment Committee is responsible for approving each investment by the Fund and is comprised of senior members of Apollo who each have substantial principal investment experience. A formal Investment Committee memorandum must be prepared and presented to the Investment Committee for final approval of each investment.
- **Asset Management:** The Apollo Real Estate Managers are actively engaged in the strategic asset management decisions that drive value, namely operating and business plans and budgets, capital expenditures, leasing, repositioning, financing, refinancing and exit. The Apollo Real Estate Managers have instituted and undertaken proactive asset management programs customized to the nature, structure and characteristics of each investment and the expertise and capabilities of each operating partner or management team. Because the real estate and financial markets are highly volatile, the Apollo Real Estate Managers anticipate variances from their plans as investments mature. Accordingly, asset management programs and exit strategies are flexible and can be adapted to changing market dynamics, the macro-economic environment, credit, and local real estate fundamentals.
- **Exit Options:** The Apollo Real Estate Managers seek investments with multiple identifiable exit strategies ranging from simple property sales to public credit transactions. Liquidating transactions may include single asset sales or portfolio sales to individual buyers, private investment funds, publicly held companies or institutional investors. Entity or platform level investments secured by underlying real estate offer an additional exit strategy through a sale of the company as a whole. Consideration may include cash, restricted and unrestricted securities of publicly or privately held companies or partnership interests in new ventures.

Client strategies involve a high degree of uncertainty. The possibility of partial or total loss of capital will exist in connection with such strategies, and investors should not invest unless they can readily bear the consequences of such loss.

## Risk of Loss

The following risk factors are generally applicable to the Apollo Real Estate Managers' Clients. However, additional risk factors, including risk factors that are specific to a particular Client's investment strategy are described in each Client's private placement memorandum, subscription agreement, or risk disclosure statement.

**No Assurance of Investment Returns.** The Apollo Real Estate Managers cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such Clients' individual investment objectives.

**Substantial Fees and Expenses.** Clients typically pay management fees, offering and organizational expenses and Operating Expenses as set forth in their governing documents, whether or not they make any profits. While it is difficult to predict the future expenses of Clients, such expenses may be substantial. Please see Item 5 for additional information on fees and expenses.

**Business and Market Risks.** Investments may involve a high degree of business and financial risk, which could result in substantial loss to a Client. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

**General Market Risks.** Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a Client's applicable term may adversely impact Clients. The regulation of the US and non-US securities and futures markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new regulations on Clients, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject Clients to increased capital requirements, fees and expenses, as well as limits on the types of investors they may solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the activities of a Client can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the Client's interests. It is impossible to predict what, if any, changes in regulation applicable to Clients or the Apollo Real Estate Managers, the markets in which they trade and invest, or the counterparties with which they do business may be instituted in the future. Clients and/or the Apollo Real Estate Managers may be or may become subject to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private funds and their managers in particular, have been

subject to intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may increase the exposure of Clients to potential liabilities and to legal, compliance and other related costs and may have an adverse effect on private funds generally, and in particular, on the ability of Clients to achieve their investment objectives. The private fund industry may continue to be adversely affected by the recent developments in the financial markets in the US and abroad going forward, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader global economy could have an adverse effect on the business of Clients, operations and performance.

The entire market or particular instruments traded on a market may decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company. A Client may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that Clients engage in certain hedging transactions, there can be no assurances that such hedging will insulate such Client from risks, and hedging techniques, whether via a derivative or other product or instrument, may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

**Regulation & Enforcement; Litigation.** Clients are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing credit markets and real estate related debt-investments, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Clients. Additional regulation could also increase the risk of third-party litigation.

On July 21, 2010 the President signed into law major financial services reform legislation in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The Dodd-Frank Act, among other things grants regulatory authorities such as the Commodity Futures Trading Commission and the SEC broad rulemaking authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives markets. These revised and expanded powers may result in rulemaking, supervisory or enforcement actions that could adversely affect Clients or investments made by Clients.

In addition, Clients may invest in distressed investments and, as a result, there is a possibility that the Apollo Real Estate Managers may participate in restructuring activities. It is possible that Clients may become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against the Clients, including their general partners and the Apollo Real Estate Managers, and ultimately, judgments may be rendered against a Client for which such Client does not carry insurance.

**Monetary Policy and Governmental Intervention.** As part of the response to the recent global financial crisis, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when or how these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of Clients. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

**Alternative Investment Fund Managers Directive.** The Alternative Investment Fund Managers Directive (“AIFMD”) provides a framework for the European Union (“EU”) to regulate managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities, but which are marketed or managed in the EU. From July 2013 the AIFMD will restrict the extent to which Apollo Real Estate Funds can be marketed to potential investors in the EU. The Apollo Real Estate Managers will be permitted to market the Apollo Real Estate Funds that they manage to professional investors in EU member states in accordance with private placement regimes in each particular member state (where they exist), subject to (i) the financial services regulator in that member state entering into cooperation agreements with relevant regulatory authorities in the US and Cayman Islands, and (ii) the Apollo Real Estate Managers complying with requirements relating to provision of (a) certain disclosures and annual reports to investors and (b) certain reports to EU regulators regarding (broadly) the risk and portfolio profile of each Apollo Real Estate Fund which is marketed in that regulator’s jurisdiction. Some EU member states may apply additional requirements. Accessing EU investors may be more difficult during this period and fund costs may increase to reflect the additional burdens. From no earlier than the second half of 2015 will the Apollo Real Estate Managers be permitted to voluntarily seek authorisation under, and comply with the more detailed requirements of, AIFMD. More detail of these requirements will be provided nearer to that time.

**FCPA Considerations.** The Apollo Real Estate Managers are committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, Clients may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for Clients to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While AGREM has developed and

implemented policies and procedures designed to ensure strict compliance by the Apollo Real Estate Managers and their personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of AGREM's policies and procedures, affiliates of portfolio companies, particularly in cases where a Client or another Apollo-sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA violations. Any determination that an Apollo Real Estate Manager has violated the FCPA or other applicable anticorruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Apollo Real Estate Manager's business prospects and/or financial position, as well as a Client's ability to achieve its investment objective and/or conduct its operations.

**Pay-to-Play Laws, Regulations and Policies.** A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees or agents makes a contribution to certain elected officials or candidates. If any of the Apollo Real Estate Managers, any of their employees or affiliates or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on Clients.

**Possibility of Fraud and Other Misconduct of Employees and Service Providers.** Misconduct by employees of the Apollo Real Estate Managers, service providers to Clients and/or their respective affiliates could cause significant losses to such Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the business prospects or future marketing activities of such Clients, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. The Apollo Real Estate Managers have controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Apollo Real Estate Managers will be able to identify or prevent such misconduct.

**Changes in Investment Focus.** Clients may not be restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a Client's governing documents may contain a description of the types of investments that other Clients have historically made and/or information about Apollo's expectations with respect to such Client, many factors may contribute to changes in

emphasis in the construction of such Client's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any prior Client.

**Risks Inherent to Real Estate Market.** Clients will primarily invest in debt and equity investments related to real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the Clients' investments. The performance and value of a Client's investments once acquired depend upon many factors beyond such Client's control. The ultimate performance and value of a Client's investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which the Client will invest and which collateralize or support its investments. The ultimate performance and value of a Client's investments depend upon, in large part, such Client's ability to operate each investment so that it produces sufficient cash flows necessary either to pay the interest and principal due to such Client on its loans and investments or to pay the Client as an equity investor. Revenues and cash flows may be adversely affected by:

- changes in national or local economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity credit markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;
- the impact of lawsuits which could cause the Clients to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Clients; and

- other factors that are beyond the Client's control and the control of the property owners.

**Development and Construction Risks.** The development and construction of real estate assets is subject to timing, budgeting and other risks that may adversely affect the Clients' operating results. Clients may acquire newly developed and redeveloped properties as suitable investment opportunities arise, taking into consideration general economic conditions. Any renovation, redevelopment, development and related construction activities could subject Clients to a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- ability to raise capital; and
- governmental restrictions on the nature or size of a project.

The Clients' inability to complete a project on time or within budget may adversely affect their investment results.

**Investments and Acquisitions Through Other Partnerships and Joint Ventures.** Instead of purchasing properties directly, Clients may invest as a partner or a co-venturer with an unaffiliated third party. Partnership or joint venture investments may, under certain circumstances, involve risks not otherwise present, including the possibility that Clients will not be able to implement investment decisions or exit strategies because of limitations on the Clients' control of the property under applicable agreements with a partner or co-venturer, or that a partner or co-venturer may become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Clients, may fail to fund their share of required capital contributions or otherwise default on their obligations, may make dubious business decisions or may block or delay necessary decisions. Such a partner or co-venturer may also be in a position to take action contrary to the Clients' objectives, including but not limited to forcing sale of a property prior to the Clients' optimal holding period. Such investments may also have the potential risk of an impasse on decisions if neither partner nor co-venturer has full control over the partnership or joint venture. Clients will, however, seek to maintain sufficient rights with respect to such partnerships or joint ventures to permit the Clients' objectives to be achieved.

In addition, disputes between Clients and a partner or co-venturer may result in litigation or arbitration that would increase the Clients' expenses and prevent the general partners

and their representatives from focusing their time and effort on the Clients' businesses and investments. Consequently, actions by, or disputes with, a partner or co-venturer might result in additional risks, including liability for the actions of a third-party partner or co-venturer and the ability to enforce fully all rights one partner or co-venturer may have against the other. In the event of litigation, Clients could be found liable to their co-venturer or partner for a range of damages available under applicable law under theories arising in contract, tort or otherwise, including consequential damages well in excess of amounts originally at stake.

**Credit Risk of Tenants.** Clients may invest in properties in which tenant leases will generate a significant portion of the Clients' revenue. As a result, Clients are subject to the credit risk of their tenants. In particular, local economic conditions and factors affecting the industries in which the Clients' tenants operate may affect the tenants' ability to make lease payments. In the event that the Clients' tenants default on their leases and fail to make rental payments when due, there could be a significant decrease in the Clients' revenues. This loss of revenues could adversely affect the Clients' profitability and their ability to meet their financial obligations. In addition, the Clients may be unable to locate replacement tenants in a timely manner or on comparable or better terms if tenants default on their leases.

**Lack of Liquidity of Investments.** Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity may limit the Clients' ability to vary their portfolios of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising a Client's investments. There can be no assurances that the fair market value of any property held by a Client will not decrease in the future, leaving any of such fund's investments relatively illiquid.

Investments in publicly traded companies (including publicly traded real estate investment trusts) may also be subject to legal or contractual restrictions on sale, including the possibility that the general partner, on behalf of a Client, will be in possession of material non-public information about the company. In addition, the ability to exit an investment through the public market will depend on market conditions, and particularly the market for initial public offerings. The possibility of partial or total loss of capital will exist.

Furthermore, the Clients may invest in loans with maturity dates that are later than the dates such funds are expected to terminate. As a result, a Client may have to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of dissolution.

**Possible Lack of Diversification.** Clients' investment portfolios may at times be concentrated in certain property types that are subject to a higher risk of foreclosure, or secured by properties concentrated in a limited number of geographic locations. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments.



**Leverage.** Clients may borrow and may utilize various other forms of leverage, and generally expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging fund will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by Clients in a market that moves adversely to such Clients' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to Clients that could be substantially greater than if such Clients were not leveraged. In addition, contractual demands by lenders to a Client to reduce its leverage may force such Client to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a Client, such claim would be senior to the rights of an investor in the Client. As a result, if a Client's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

**Financing Arrangements.** To the extent that a Client enters into financing arrangements in the future, such arrangements may contain provisions that expose it to particular risk of loss. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for a Client. Also, Clients may enter into financing arrangements that contain financial covenants that could require them to maintain certain financial ratios. If a Client were to breach the financial covenants contained in any such financing arrangement, it might be required to repay such debt immediately, in whole or in part, together with any attendant costs, and the Client might be forced to sell some of its assets to fund such costs. Certain Clients may also be required to reduce or suspend distributions or dividends to stockholders, as applicable. Such financial covenants would also limit the ability of the applicable Apollo Real Estate Manager to adopt the financial structure (*e.g.*, by reducing levels of borrowing) that it would have adopted in the absence of such covenants. In addition, pursuant to the partnership agreements of certain Clients, the general partner is permitted to pledge the capital commitments of the limited partners to secure financing arrangements for the Client. The limited partners may be required to honor their capital commitments to permit the Client to pay debt rather than to make investments.

**Securitizations.** Clients may seek to enhance the returns of all or a senior portion of commercial mortgage loans through securitizations in the event the market to securitize commercial mortgage loans recovers. To securitize portfolio investments, a Client may create a wholly-owned subsidiary and contribute a pool of assets to such subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers from whom the Client would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and in which the applicable Client would retain a portion of the equity in the securitized pool of portfolio investments. The successful securitization of portfolio investments might expose such Client to losses as the commercial real estate

investments in which the Client does not sell interests will tend to be those that are riskier and more likely to generate losses.

**Environmental Liability.** Clients may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Through its interest in real estate, a Client may be subject to a wide range of environmental, health and safety laws, ordinances and regulations, including, without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard as to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. The presence of such substances, or the failure to properly remediate related contamination, may adversely affect the marketability of the real estate or the value of such property as collateral, which could have an adverse effect on returns on investments. In addition, some environmental laws create a lien on contaminated property in favor of the government for costs it incurs in connection with the contamination. In addition to clean-up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs. Moreover, the ability of a Client to insulate itself against any such environmental liability through the performance of environmental due diligence of the nature customarily performed in the U.S. may be limited in certain foreign countries.

**Investments in Non-Performing Assets.** Clients may make investments in non-performing or other troubled assets that involve a high degree of financial risk. Investments in properties operating in workout modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of a Client's original investment. In addition, under certain circumstances, payments to a Client or distributions to such Client's limited partners may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt or as equity contributions.

**Hedging Policies/Risks.** In connection with certain investments, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While such transactions may reduce certain risks, hedging transactions themselves may entail other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates,

securities prices or currency exchange rates may result in a poorer overall performance for Clients that enter into hedging transactions.

**Uncertainty of Financial Projections.** As part of its due diligence of a potential investment, the Apollo Real Estate Manager for a Client investing in securities or interests in a company generally may do so on the basis of the company's financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

**Risks Associated with Investments in Commercial Mortgages and Mezzanine Loans.** Clients may be subject to risks associated with investments in commercial mortgage and mezzanine loans that are subject to delinquency, foreclosure and loss which could result in losses to Clients. The commercial mortgage and mezzanine loans in which Clients may invest will generally be secured by commercial property and related assets and will be subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically will be dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expenses or limit rents that may be charged; any need to address environmental contamination at the property; changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values and declines in regional or local rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; and changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation.

There may be limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state law. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the

borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

Clients' subordinated debt and related investments will involve the risks attendant to real estate investments as well as additional risks attendant to investments in subordinated positions. Subordinate loans such as junior participations in mortgages and mezzanine loans (and participations therein) have a risk of credit loss that is significantly enhanced due to the subordinate nature of such investments. In the event of default, the net proceeds from a foreclosure or restructuring may not be sufficient to cover the expenses of foreclosure and payment in full of the debt. In such event, the holders of subordinate loans will realize a loss of up to all of their investment before the senior debt will suffer any loss.

**Lender Liability Risks.** Clients may be exposed to lender liability risks including equitable subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Clients' investments, they could be subject to allegations of lender liability. In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." A Client could be subject to claims from creditors of an obligor that such fund's investments issued by such obligor that are held by the Fund should be equitably subordinated. A decline in the value of the Client's investments may result in reduced risk-adjusted.

**Asset-Backed Securities and Mortgage-Backed Securities.** Certain Client investments include asset-backed securities ("ABS") and mortgage-backed securities ("MBS"), including residential mortgage-backed securities ("RMBS"). The investment characteristics of ABS and MBS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying MBS and ABS will be affected by a variety of

factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgage loans when mortgage rates fall below the interest rates on their mortgage loans. Particular investments may experience outright losses, as in the case of an interest only security in an environment of faster actual or anticipated prepayments. Also, particular investments may underperform relative to hedges that a portfolio manager may have constructed for these investments, resulting in a loss.

Mortgage loans on commercial properties underlying MBS often are structured so that a substantial portion of the loan principal is not amortized over the loan term, but is payable at maturity. Repayment of the loan principal, thus, often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value of the real estate. Therefore, the unavailability of real estate financing may lead to default. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property.

Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Through collateralized debt obligations (“CDOs”), Clients may invest in these and other types of ABS that may be developed in the future. ABS present certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. There is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS may be affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

**Mortgage REITs.** Clients may invest in securities issued by entities which invest in real estate, including real estate investment trusts (“REITs”). Real estate investments generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate. Such risks include, without limitation, the risks associated with: (i) both the domestic and international general economic climates; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the

absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in availability of debt financing, energy and supply shortages; (viii) changes in the tax, real estate, environmental and zoning laws and regulations; (ix) various uninsured or uninsurable risks or natural disasters; and (x) the ability of the Clients or third-party borrowers to manage the real properties. In addition, Clients may incur the burden of ownership of real property, which includes the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. Further, in addition to the variety of risks associated with real estate and related investments described above, Clients investments in REITs involve special risks. These special risks include: (i) risks associated with failure to maintain REIT qualification and other tax risks; (ii) risks that may be presented by the type and use of a particular property or target asset class; (iii) risks that the issuer of the security may reduce or eliminate expected dividend payments and (iv) risks related to REITs' organization and structure, including ownership limitations associated with maintaining REIT qualification, and since many REITs are organized in Maryland, risks related to certain provisions of Maryland law. In addition, REITs tend to be small- and medium-size companies. Like small-capitalization stocks in general, REIT stocks can be more volatile than, and at times will perform differently from, large capitalization stocks, such as those found in the Standard & Poor's 500 Index.

**Use of Expert Networks.** In connection with the analysis of investment opportunities, the Apollo Real Estate Managers may engage expert networks. Apollo has implemented procedures to address the risk that use of expert networks could result in investment professionals receiving material nonpublic information. However, because Apollo's business operates on an integrated platform without ethical screens or information barriers, if such controls should fail and an investment professional were to obtain material nonpublic information, then the Apollo Real Estate Managers may be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients.

**Risks Applicable to Insurance Company Clients of Athene Asset Management, LLC.** In addition to the risks identified above, insurance company Clients are subject to significant risks relating to the matching of assets and liability characteristics such as interest rate duration and weighted average life. If assumptions relating to these characteristics prove to be incorrect and an insurance company is mismatched, such insurance company's financial condition could be adversely affected, which may have resulting regulatory implications. Furthermore, insurance company portfolios tend to have a significant amount of interest rate-sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions and other factors beyond Athene Asset Management, LLC's control. Because of the unpredictable nature of losses that may arise under insurance liabilities, liquidity needs could be substantial and may increase at any time. Changes in interest rates could have an adverse effect on the value of an insurance company investment portfolio and future investment income. For example, changes in

interest rates could expose such Clients to prepayment risks on MBS. Increases in interest rates will generally decrease the value of investments in fixed-income securities. If increases in interest rates occur during periods when a Client is required to sell investments to satisfy liquidity needs, such Client may experience investment losses. If interest rates decline, reinvested funds will earn less than expected.

The Apollo Real Estate Managers generally seek to acquire, develop, reposition, manage and operate real estate and real estate-related assets in North America, Asia, and Europe. The Apollo Real Estate Managers' Clients also invest in commercial real estate mortgage loans, commercial MBS, commercial real estate corporate debt and loans, mezzanine financings and other commercial real estate-related debt investments. The material risks involved in investing in these types of securities are discussed in the preceding paragraphs of this Item 8.

## **ITEM 9**

### **Disciplinary Information**

There are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

## **ITEM 10**

### **Other Financial Industry Activities and Affiliations**

*Affiliated Broker Dealer.* Apollo Global Securities, LLC ("AGS"), a Delaware limited liability company and broker dealer affiliated with the Apollo Managers, is registered to perform the following services: (i) conduct private placements; (ii) underwriting; and (iii) provide transaction advisory services. AGS' private placement services include placement of Apollo Funds and syndicating Apollo transactions. Any engagement of AGS' services by a Client (subject to its governing documents) generally will not require approval from such Client's advisory board if the transaction is conducted on an arm's length basis. Currently, AGS does not receive fees from Apollo Funds for these services, and AGS' underwriting services are typically provided to Clients' portfolio companies. Fees received by AGS in connection with these services are disclosed in the corresponding prospectus or private placement memorandum. Generally, AGS' role in a syndication is that of a co-manager and not as lead underwriter. Finally, AGS may receive transaction fees in connection with providing transaction advisory services to Clients' portfolio companies.

The relationship between the Apollo Real Estate Managers and their affiliates and AGS may give rise to conflicts of interest between the Apollo Real Estate Managers and (i) Clients with respect to whom AGS provides services or (ii) Clients who have an interest in any portfolio companies or investment vehicles to whom AGS provides services. Certain management persons of the Apollo Real Estate Managers that are involved in providing portfolio management services to Clients on behalf of the Apollo Real Estate Managers will also be involved in the business and operations of AGS. Such management persons may face conflicts of interest in dedicating time and resources to Clients, which may have a detrimental effect on Client performance. Apollo addresses this conflict of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each Client and providing training to supervised persons

with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures. Furthermore, while AGS' services are primarily as described above (*i.e.*, to Apollo, its Clients and its Clients' portfolio companies), it is possible that, in the future, AGS may also provide services (including financing, capital market and advisory services) to third parties, including third parties that are competitors of the Apollo Real Estate Managers or one or more their affiliates or any portfolio companies. The expansion of AGS' services in this manner would present additional conflicts of interest. In the event that AGS provides services to third parties, it may not take into consideration the interests of relevant Clients or portfolio companies. It may also come into possession of information that AGS is prohibited from acting on (including on behalf of a Client) or disclosing to the Apollo Real Estate Managers or any of their affiliates as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interest of a Client or portfolio company.

#### AP Alternative Assets, L.P.

AGREM and the Apollo Real Estate Managers are affiliated with AP Alternative Assets, L.P., a limited partnership registered under the laws of Guernsey ("AAA"), whose common units are traded on Eurolist by Euronext, the regulated market of Euronext Amsterdam N.V. under the symbol "AAA". AAA invests its capital through, and is the sole limited partner of, AAA Investments, L.P. ("AAA Investments"). AAA Investments has substantially all of its capital invested through various subsidiaries of Athene Holding Ltd.

Affiliates of AGREM receive a quarterly management fee from AAA Investments, payable in arrears, in an amount equal to a percentage of adjusted assets. AAA Investments will not be directly charged management fees when it invests in an Apollo Fund, as the Apollo Managers (as defined below) will receive management fees directly from the Apollo Funds in which AAA Investments invests.

Each direct investment made by AAA Investments will be subject to carried interest, which will generally entitle affiliates of AGREM to realize a portion of the profits generated by the investment (generally, a percentage of net realized gains or a percentage of the annual increase in net asset value, depending on the type of investment).

AGREM's affiliation with AAA and AAA Investments is subject to the conflicts of interest set forth below in this Item 10.

Additionally, as part of Apollo's integrated platform, certain management persons of the Apollo Real Estate Managers may also provide services to other pooled investment vehicles or investment companies sponsored by Apollo. By way of example, certain management persons of AGREM that are involved in providing portfolio management services to Apollo Real Estate Funds may have direct incentive compensation arrangements with other Apollo Funds that pay incentive fees to their general partners. Such management persons may be incentivized to (i) dedicate additional time and resources to Apollo Funds with which such persons have a direct incentive compensation arrangement, and (ii) allocate attractive investment opportunities to such Apollo Funds instead of Apollo Real Estate Funds, each of which may have a detrimental effect on the performance of Apollo Real Estate Funds. Apollo addresses this conflict of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests



of each Apollo Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures and by establishing the investment allocation procedures described above.

#### Affiliated Apollo Managers

The Apollo Real Estate Managers are affiliated with the Apollo Private Equity Managers as set forth in (1) through (10) below (the "Apollo Private Equity Managers"), the Apollo Commodities Manager as set forth in (11) below (the "Apollo Commodities Manager") and the Apollo Credit Managers set forth in (12) through (48) below (the "Apollo Credit Managers") and together with the Apollo Private Equity Managers, the Apollo Commodities Manager and the Apollo Real Estate Managers described in Item 4, the "Apollo Managers"). Unless otherwise specified, the Apollo Private Equity Managers are registered as investment advisers relying on Apollo Management, L.P.'s investment adviser registration with the SEC, and the Apollo Credit Managers are registered as investment advisers relying on Apollo Capital Management, L.P.'s investment adviser registration with the SEC, in each case, pursuant to the ABA No-Action Letter.

The Apollo Private Equity Managers are:

- (1) Apollo Management, L.P. ("Apollo Management"): is a Delaware limited partnership that is an SEC registered investment adviser and controls the investment managers set forth in (2) through (10) below.
- (2) Apollo Management III, L.P.: Apollo Management III, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund III, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively "AIF III"). AIF III is a private investment fund whose principal investors are public and private pensions and other financial institutions.
- (3) Apollo Management IV, L.P.: Apollo Management IV, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund IV, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively, "AIF IV"). AIF IV is a private investment fund whose principal investors are public and private pensions and other financial institutions.
- (4) Apollo Management V, L.P.: Apollo Management V, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund V, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively, "AIF V"). AIF V is a private investment fund whose principal investors are public and private pensions and other financial institutions.

(5) Apollo Management VI, L.P.: Apollo Management VI, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund VI, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively, “AIF VI”). AIF VI is a private investment fund whose principal investors are public and private pensions and other financial institutions.

(6) Apollo Management VII, L.P.: Apollo Management VII, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund VII, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively, “AIF VII”). AIF VII is a private investment fund whose principal investors are public and private pensions and other financial institutions.

(7) Apollo Management VIII, L.P.: Apollo Management VIII, L.P. is a Delaware limited partnership that acts as the investment manager of Apollo Investment Fund VIII, L.P., a Delaware limited partnership, and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing (collectively, “AIF VIII” and together with AIF III, AIF IV, AIF V, AIF VI, and AIF VII, the “Apollo Private Equity Funds”). AIF VIII is an investment fund whose principal investors are anticipated to be public and private pensions and other financial institutions.

(8) LeverageSource Management, LLC: Leverage Source Management, LLC is a Delaware limited liability company that acts as investment manager to LeverageSource V S.a.r.l., a Luxembourg private limited company, LeverageSource XI (A), L.P., a Cayman Islands exempted limited partnership, LeverageSource XI S.a.r.l., a Luxembourg private limited liability company and LeverageSource holdings Series III (Lux) S.a.r.l., a Luxembourg private limited liability company.

(9) Apollo Management (Mauritius - PE) Ltd.: Apollo Management (Mauritius - PE) Ltd. is a Mauritius limited company that is a subadviser to Apollo Management VII, L.P. It also acts as investment manager to Apollo India Private Equity (Mauritius) Ltd., a Mauritius limited company that serves as a sub-account to AIF VII.

(10) Apollo Management (MHE), LLC: Apollo Management (MHE), LLC is a Delaware limited liability company and wholly-owned subsidiary of Apollo Management VII, L.P. that was formed to serve as the investment manager for Apollo Overseas Co-Investors (MHE), L.P., a Delaware limited partnership.

The Apollo Private Equity Funds generally seek to make investments in (i) control or influential minority equity and equity equivalent positions, and (ii) debt or other securities providing equity-like returns across the capital structure of companies, including distressed debt investments. Investments are sought across a range of industries and markets. The Apollo Private Equity Funds also may invest in securities across the capital structure including senior secured bank debt, second lien, high-yield debt, trade and credit derivatives, and bank loans. In addition, the Apollo Private Equity Funds, either directly or indirectly through a special purpose vehicle, may engage in total return swaps, which allow the Apollo Private Equity Funds to derive the

economic benefit of owning an asset without retaining legal ownership of such asset. Finally, in connection with certain investments, the Apollo Private Equity Funds may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates.

As supervised persons of Apollo Management, the Apollo Private Equity Managers (other than Apollo Management) intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Any employees of the Apollo Private Equity Managers and any other persons acting on their behalf are and shall be subject to the supervision and control of Apollo Management. The Apollo Private Equity Managers are registered investment advisers relying on Apollo Management's investment adviser registration with the SEC pursuant to the ABA No-Action Letter.

The Apollo Commodities Manager is:

(11) Apollo Commodities Management, L.P.: The Apollo Commodities Manager is a Delaware series limited partnership that is separately registered with the SEC as an investment adviser. With respect to Series I, Apollo Commodities Management, L.P. serves as the investment manager of Apollo Natural Resources Partners, L.P., a Delaware limited partnership, and its alternative investment vehicles and the feeder funds and special purpose vehicles of any of the foregoing. Each series of the Apollo Commodities Manager will act as the investment manager of different funds and/or accounts.

The Apollo Credit Managers are:

(12) Apollo Investment Management, L.P.: Apollo Investment Management, L.P. is a Delaware limited partnership that is separately registered as an investment adviser with the SEC. It acts as the investment manager to Apollo Investment Corporation, a Maryland corporation ("AIC"). AIC is a closed-end, non-diversified investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). AIC primarily invests in various forms of debt instruments including senior secured loans, subordinated and mezzanine investments, and/or equity in private middle-market companies.

(13) Apollo SVF Management, L.P.: Apollo SVF Management, L.P. is a Delaware limited partnership that acts as investment manager to Apollo Strategic Value Master Fund, L.P., a Cayman Islands limited partnership (together with its two feeder funds, Apollo Strategic Value Fund, L.P., a Delaware limited partnership, and Apollo Strategic Value Offshore, Ltd., a Cayman Islands exempted company, "SVF"). Apollo SVF Management, L.P. also acts as investment manager to Apollo Special Opportunities Managed Account, L.P., a Delaware limited partnership ("SOMA"), a private securities investment fund to a certain single investor managed account pursuant to specifically negotiated investment limitations, and Permal Apollo Value Investment Fund, Ltd. ("Permal"), a business company with limited liability formed under the laws of the British Virgin Islands. SVF, SOMA, and Permal primarily invest in the securities of leveraged companies in North America and Europe through distressed investments, value-driven investments and special opportunities.

(14) Apollo Value Management, L.P.: Apollo Value Management, L.P. is a Delaware limited partnership that acts as the investment manager to Apollo Value Investment Master Fund, L.P., a Cayman Islands limited partnership (together with its two feeder funds, Apollo Value Investment Fund, L.P., a Delaware limited partnership, and Apollo Value Investment Offshore Fund, Ltd., a Cayman Islands exempted company, the “Value Fund”). The Value Fund primarily invests in the securities of leveraged companies in North America and Europe through distressed investments, value-driven investments and special opportunities.

(15) Apollo Asia Management, L.P.: Apollo Asia Management, L.P. is a Delaware limited partnership that acts as investment manager to Apollo Asia Opportunity Master Fund, L.P., a Cayman Islands limited partnership (together with its two feeder funds, Apollo Asia Opportunity Fund, L.P., a Delaware limited partnership, and Apollo Asia Opportunity Offshore Fund, Ltd., a Cayman Islands exempted company, the “Asia Fund”). The Asia Fund primarily invests in strategic and event-driven investment opportunities through investments in the debt and equity securities of middle market and large companies located in Asia. Apollo Management Singapore Pte. Ltd., a Singapore company, is wholly-owned by Apollo Asia Management, L.P.

(16) Apollo Management Singapore Pte. Ltd.: Apollo Management Singapore Pte. Ltd. is a private company limited by shares under the laws of Singapore that acts as investment manager to AIF VII Singapore Pte. Ltd., AION Investments Singapore Private Limited, Apollo Asia Private Credit Master Fund Pte. Ltd., Apollo Credit Singapore Pte. Ltd., private companies limited by shares under the laws of Singapore, and the Asia Fund.

(17) Apollo Europe Management, L.P.: Apollo Europe Management, L.P. is a Delaware limited partnership that acts as investment manager to AP Investment Europe Limited, a Guernsey limited company, and Apollo Investment Europe II, L.P., a Cayman Islands limited partnership (together, “AIE”). AIE primarily invests in the mezzanine debt, other debt and equity of European companies.

(18) Apollo EPF Management, L.P.: Apollo EPF Management, L.P. is a Delaware limited partnership that acts as investment manager to Apollo European Principal Finance Fund, L.P., a Cayman Islands exempted limited partnership, and to its feeder fund Apollo European Principal Finance Fund (Feeder), L.P., a Cayman Islands limited partnership (together, “EPF”). EPF invests principally in European non-performing loans.

(19) Apollo EPF Management II, L.P.: Apollo EPF Management II, L.P. is a Delaware limited partnership that acts as investment manager to Apollo European Principal Finance Fund II (Dollar A), L.P., a Cayman Islands exempted partnership, Apollo European Principal Finance Fund II (Euro A), L.P., a Cayman Islands exempted partnership, Apollo European Principal Finance Fund II (Master Dollar B) L.P., a Cayman Islands exempted partnership, Apollo European Principal Finance Fund II (Master Euro B) L.P., a Cayman Islands exempted partnership and to their feeder funds or other parallel funds that may be established (together, “EPF II”). EPF II invests principally in European non-performing loans.

(20) Apollo Credit Liquidity Management, L.P.: Apollo Credit Liquidity Management, L.P. is a Delaware limited partnership that acts as investment manager to Apollo Credit Liquidity Fund,

L.P., a Delaware limited partnership (“CLF”). CLF invests primarily in senior secured debt and a broad range of other subordinated debt and debt-related investments.

(21) Apollo/Artus Management, LLC: Apollo/Artus Management, LLC is a Delaware limited liability company that acts as the public-side investment adviser to two private securities investment funds, Artus Loan Fund 2007-I, Ltd., a Cayman Islands exempted company, and Artus Loan Fund 2007-I, LLC, a Delaware limited liability company (together, “Artus Loan Funds”). The Artus Loan Funds primarily invest in U.S. dollar-denominated commercial loans.

(22) Apollo Credit Opportunity Management, LLC: Apollo Credit Opportunity Management, LLC is a Delaware limited liability company that acts as investment manager to Apollo Credit Opportunity Fund I, L.P., a Delaware limited partnership, and Apollo Credit Opportunity Fund II, L.P., a Delaware limited partnership (together, “Credit Opportunity Funds”). The Credit Opportunity Funds primarily invest in senior secured debt instruments, including bank loans and bonds, and public and private debt, such as debtor-in-possession financings, bridge financings and other debt-related securities portfolios.

(23) Apollo Management International LLP: Apollo Management International LLP is an English limited liability partnership that serves as a non-discretionary subadviser to certain Apollo Credit Managers, Apollo Private Equity Managers (as defined in Item 10), and Apollo Real Estate Managers (as defined in Item 10). Apollo Management International LLP is regulated by the United Kingdom Financial Services Authority (“FSA”).

(24) Apollo Credit Management (Senior Loans), LLC: Apollo Credit Management (Senior Loans), LLC is a Delaware limited liability company that acts as investment manager to Apollo/Palmetto Loan Portfolio, L.P., Apollo/Palmetto Short-Maturity Loan Portfolio, L.P., and Apollo Credit Senior Loan Fund, L.P., all Delaware limited partnerships (together, “Loan Portfolio Funds”) and a separately managed account. Each Loan Portfolio Fund and the separately managed account will generally invest primarily in senior secured floating-rate loans and non-first lien fixed-income investments and other fixed-income investments, including, but not limited to, senior secured bonds.

(25) Apollo Credit Management (Senior Loans) II, LLC: Apollo Credit Management (Senior Loans) II, LLC is a Delaware limited liability company that acts as investment manager to a strategic managed account that invests primarily in senior secured, first lien loans.

(26) Apollo Credit Management, LLC: Apollo Credit Management, LLC is a Delaware limited liability company that is separately registered with the SEC as an investment adviser. It acts as investment manager to Apollo Senior Floating Rate Fund Inc. (“AFT”) and Apollo Tactical Income Fund Inc. (“AIF”), both of which are Maryland corporations registered with the SEC as closed-end, non-diversified investment companies under the Investment Company Act. Apollo Senior Floating Rate Fund, Inc. is listed on the New York Stock Exchange under the symbol “AFT.” Apollo Tactical Income Fund, Inc. is listed on the New York Stock Exchange under the symbol “AIF.”

(27) Athene Asset Management, LLC: Athene Asset Management, LLC (“AAM”) is a Delaware limited liability company that acts as investment manager to certain insurance and

reinsurance company subsidiaries of Athene Holding Ltd., a Bermuda holding company (“Athene Holding”), certain reinsurance accounts related to such subsidiaries and certain insurance companies affiliated with Apollo. AAM is owned by Apollo Life Asset Ltd., a Cayman Islands exempted company, and certain members of AAM’s management. Apollo Life Asset Ltd. is, in turn, wholly-owned by Apollo Capital Management, L.P. (“Apollo Capital Management”). AAM, either directly or through the use of subadvisers, including certain Apollo Credit Managers and Apollo Managers, invests primarily in fixed-income and alternative investments.

(28) Apollo Credit Management (CLO), LLC: Apollo Credit Management (CLO), LLC is a Delaware limited liability company that serves as collateral manager to the following CLOs: (i) ALM Loan Funding 2010-1, Ltd.; (ii) ALM Loan Funding 2010-2, Ltd.; (iii) ALM Loan Funding 2010-3, Ltd.; (iv) ALM IV, Ltd.; (v) ALM V, Ltd.; (vi) ALM VI, Ltd.; (vii) ALM VII, Ltd.; (viii) ALM VIII, Ltd.; (ix) ALM IX, Ltd.; and (x) ALME Loan Funding 2013-1 Limited.

(29) Financial Credit Investment I Manager, LLC: Financial Credit Investment I Manager, LLC is a Delaware limited liability company (“FCI”) that serves as investment manager for Financial Credit Investment I, L.P., a Cayman Islands limited partnership. Financial Credit Investment I, L.P. invests in portfolios of life insurance policies that insure the lives of natural persons.

(30) Financial Credit Investment II Manager, LLC: Financial Credit Investment II Manager, LLC is a Delaware limited liability company (“FCI II”) that serves as investment manager for Financial Credit Investment II, L.P., a Cayman Islands limited partnership. Financial Credit Investment II, L.P. invests in portfolios of life insurance policies that insure the lives of natural persons.

(31) Apollo Longevity, LLC: Apollo Longevity, LLC is a Delaware limited liability company that serves as subadviser, and provides non-discretionary investment advice, to AAM and RWN Management, LLC.

(32) ARM Manager, LLC: ARM Manager, LLC is a Delaware limited liability company that serves as the manager and adviser to Apollo Residential Mortgage, Inc., a Maryland Corporation. Apollo Residential Mortgage, Inc. is a residential real estate finance company formed primarily to invest in, finance and manage mortgage-backed securities, residential mortgage loans and other residential mortgage assets in the United States. Apollo Residential Mortgage, Inc. is listed on the New York Stock Exchange under the symbol “AMTG.”

(33) Apollo Centre Street Management, LLC: Apollo Centre Street Management, LLC is a Delaware limited liability company that serves as the investment manager for Apollo Centre Street Partnership, L.P., a Delaware limited partnership. Apollo Centre Street Partnership, L.P. was formed for a strategic partnership with a state pension fund.

(34) Apollo European Credit Management, L.P.: Apollo European Credit Management, L.P. is a Delaware limited partnership that serves as the investment manager for Apollo European Credit Fund, L.P., a Delaware limited partnership, Apollo European Credit Fund (Offshore), L.P., a Cayman Islands exempted limited partnership, and Apollo European Credit Master Fund,

L.P., a Cayman Islands exempted limited partnership (collectively, with Apollo European Credit Fund, L.P. and Apollo European Credit Fund (Offshore), L.P., the “European Credit Fund”). The European Credit Fund invests in a variety of fixed-income investment opportunities in Europe.

(35) Apollo European Strategic Management, L.P.: Apollo European Strategic Management, L.P. is a Delaware limited partnership that serves as the investment manager for Apollo European Strategic Investments (Holdings), L.P., a Cayman Islands limited partnership and Apollo European Strategic Investments, L.P., also a Cayman Islands limited partnership. Apollo European Strategic Investments (Holdings), L.P. and Apollo European Strategic Investments, L.P. were formed for a strategic partnership with a sovereign wealth fund.

(36) Apollo SPN Management, LLC: Apollo SPN Management, LLC is a Delaware limited liability company that serves as the investment manager to Apollo SPN Investments I, L.P., Apollo SPN Investments II, L.P. and Apollo SPN Investments III, L.P., Cayman Islands limited partnerships formed for a strategic partnership with a state pension fund.

(37) Gulf Stream Asset Management, LLC: Gulf Stream Asset Management, LLC (“GSAM”) is a North Carolina limited liability company that provides discretionary investment advisory services to, and serves as collateral manager for, special purpose vehicles that issue CLOs. GSAM provides investment advice to the CLOs regarding institutional leveraged loans, high-yield debt, corporate debt, structured credit products, derivatives, private debt securities and other loans, credit and debt instruments. The CLOs seek to achieve their investment objectives by investing primarily in senior, secured loans made to companies whose debt is rated below investment grade (*i.e.*, senior loans) and investments with similar characteristics. GSAM provides investment advisory services to ten CLOs: (i) Gulf Stream Compass CLO 2002-1; (ii) Gulf Stream Compass CLO 2003-1; (iii) Gulf Stream Compass CLO 2004-1; (iv) Gulf Stream Compass CLO 2005-1; (v) Gulf Stream Compass CLO 2005-II; (vi) Gulf Stream Sextant CLO 2006-1; (vii) Gulf Stream Rashinban CLO 2006-1; (viii) Gulf Stream Sextant CLO 2007-1; (ix) Gulf Stream Compass CLO 2007-1; and (x) Neptune Finance CCS.

(38) AION Capital Management Limited: AION Capital Management Limited is a private Mauritius company limited by shares that serves as the investment manager to AION Capital Partners Limited, a private Mauritius company limited by shares. AION Capital Partners Limited is a joint venture with ICICI Venture Funds Management Company Limited. AION Capital Management Limited is a wholly-owned subsidiary of Apollo India Credit Opportunity Management, LLC, a Delaware limited liability company. Apollo India Credit Opportunity Management, LLC is wholly-owned by Apollo Capital Management.

(39) Apollo ST Fund Management LLC (f/k/a Stone Tower Fund Management LLC): Apollo ST Fund Management LLC, a Delaware limited liability company, is indirectly controlled by Apollo Capital Management. Apollo ST Fund Management LLC serves as the investment manager to:

- (i) Apollo Credit Master Fund Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Credit Master Fund Ltd.) (“Credit Master Fund”), together with its two feeder funds, Apollo Credit Fund LP, a Delaware limited partnership (f/k/a Stone Tower

- Credit Fund LP) (“Credit Onshore Fund”), and Apollo Offshore Credit Fund Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Offshore Credit Fund Ltd.) (“Credit Offshore Fund”), both of which invest primarily in leveraged loans;
- (ii) Stone Tower Structured Credit Recovery Master Fund Ltd., a Cayman Islands exempted company, together with its two feeder funds, Stone Tower Structured Credit Recovery Fund LP, a Delaware limited partnership (“Structured Credit Recovery Onshore Fund”) and Stone Tower Offshore Structured Credit Recovery Fund Ltd., a Cayman Islands exempted company (“Structured Credit Recovery Offshore Fund”), both of which invest primarily in CLOs, CMBS and RMBS;
  - (iii) Apollo Structured Credit Recovery Master Fund II Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Structured Credit Recovery Master Fund II Ltd.), together with its two feeder funds, Apollo Structured Credit Recovery Fund II L.P., a Delaware limited partnership (f/k/a Stone Tower Structured Credit Recovery Fund II LP) (“Structured Credit Recovery Onshore Fund II”) and Apollo Offshore Structured Credit Recovery Fund II Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Offshore Structured Credit Recovery Fund II Ltd.) (“Structured Credit Recovery Offshore Fund II”), both of which invest primarily in CLOs, CMBS and RMBS;
  - (iv) Stone Tower Credit Solutions Master Fund Ltd., a Cayman Islands exempted company, together with its two feeder funds, Stone Tower Credit Solutions Fund LP, a Delaware limited partnership (“Credit Solutions Onshore Fund”), and Stone Tower Credit Solutions Fund Ltd., a Cayman Islands exempted company (“Credit Solutions Offshore Fund”), both of which invest primarily in private financings and stressed debt;
  - (v) Apollo Credit Strategies Master Fund Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Credit Strategies Master Fund Ltd.), together with its two feeder funds, Apollo Credit Strategies Fund LP, a Delaware limited partnership (f/k/a Stone Tower Credit Strategies Fund LP) (“Credit Strategies Onshore Fund”) and Apollo Offshore Credit Strategies Fund Ltd., a Cayman Islands exempted company (f/k/a Stone Tower Offshore Credit Strategies Fund Ltd.) (“Credit Strategies Offshore Fund”), both of which invest primarily in private financings and stressed debt;
  - (vi) Stone Tower Loan Value Recovery Fund LP, a Delaware limited partnership, invests primarily in leveraged loans; and
  - (vii) a number of separately managed accounts that invest primarily in leveraged loans, high-yield bonds, stressed and distressed debt, and private financings.
- (40) Apollo ST Debt Advisors LLC (f/k/a Stone Tower Debt Advisors LLC): Apollo ST Debt Advisors LLC is a Delaware limited liability company indirectly controlled by Apollo Capital Management. Apollo ST Debt Advisors LLC provides discretionary investment advice as the investment and collateral manager primarily to structured investment funds, including the following CLOs and CDOs: (i) Cornerstone CLO Ltd.; (ii) Granite Ventures II Ltd.; (iii) Granite



Ventures III Ltd.; (iv) Stone Tower CLO II Ltd.; (v) Stone Tower CLO III Ltd.; (vi) Stone Tower CLO IV Ltd.; (vii) Stone Tower CLO V Ltd.; (viii) Stone Tower CLO VI Ltd.; (ix) Stone Tower CLO VII Ltd.; (x) Stone Tower CLO VIII Ltd.; (xi) Integral Funding Ltd.; (xii) Rampart CLO 2006-1 Ltd.; (xiii) Rampart CLO 2007-1 Ltd.; (xiv) Stone Tower CDO Ltd.; (xv) Stone Tower CDO II Ltd.; (xvi) Stone Tower CDO III Ltd.; (xvii) Broderick CDO 2 Ltd.; (xviii) Broderick CDO 3 Ltd.; (xix) Longshore CDO Funding 2007-3, Ltd.; (xx) Whitehawk CDO Funding, Ltd.; and (xxi) Witherspoon Funding, Ltd. Apollo ST Debt Advisors LLC also serves as the manager to a number of separately managed accounts.

(41) Apollo SK Strategic Management, LLC: Apollo SK Strategic Management, LLC is a Delaware limited liability company that serves as the investment manager to Apollo SK Strategic Investments, L.P., a Cayman Islands limited partnership formed for a strategic partnership.

(42) Apollo Credit Opportunity Management III LLC: Apollo Credit Opportunity Management III LLC is a Delaware limited liability company that serves as the investment manager for Apollo Credit Opportunity Fund III LP, a Delaware limited partnership. Apollo Credit Opportunity Fund III LP is expected to primarily invest in event-driven and special situations, distressed debt, leveraged yield strategies, dislocated structured credit and regulatory capital investments, private lending and mezzanine debt, and asset investing and is expected to focus primarily on North American and European credit opportunities that generally comprise less liquid, idiosyncratic investments.

(43) Apollo Credit Income Management LLC: Apollo Credit Income Management LLC is a Delaware limited liability company that serves as the investment manager for the Apollo Credit Income Master Fund LP, a Cayman Islands limited partnership, Apollo Credit Income Fund LP, a Delaware limited partnership, and Apollo Credit Income Offshore Fund Ltd, a Cayman Islands limited company (collectively with the Apollo Credit Income Master Fund LP and Apollo Credit Income Fund LP, the “Credit Income Funds”). The Credit Income Funds expect to invest primarily in public and private non-investment grade bonds, secured loans, second lien debt, swaps and other securities with fixed-income characteristics.

(44) Apollo Palmetto Athene Management, LLC: Apollo Palmetto Athene Management, LLC is a Delaware limited liability company that serves as the investment manager to Apollo Palmetto Athene Partnership, L.P., a Cayman Islands exempted limited partnership. Apollo Palmetto Athene Partnership, L.P. is a limited partner of Palmetto Athene Holdings (Cayman), L.P., a Cayman Islands limited partnership, which holds shares of Athene Holding.

(45) Apollo European Senior Debt Management, LLC: Apollo European Senior Debt Management, LLC is a Delaware limited liability company that serves as the investment manager to A-A European Senior Debt Fund, L.P. and A-A European Senior Debt Fund II, L.P., Delaware limited partnerships formed to invest in senior debt instruments including secured bank loans, high yield bonds and other fixed income investments.

(46) Apollo APC Management, L.P.: Apollo APC Management, L.P. is a Delaware limited partnership that serves as the investment manager to Apollo Asia Private Credit Fund, L.P., a Delaware limited partnership. Apollo Asia Private Credit Fund, L.P. seeks investments in private mezzanine and subordinated debt instruments, convertible debt and convertible preferred

securities, and private equity and related instruments (including equity warrants) through privately-negotiated transactions.

(47) Apollo Franklin Management, LLC: Apollo Franklin Management, LLC is a Delaware limited liability company that serves as the investment manager to Apollo Franklin Partnership, L.P., a Delaware limited partnership. Apollo Franklin Partnership, L.P. was formed for a strategic partnership with a state pension fund.

(48) Apollo Capital Management: Apollo Capital Management is a Delaware limited partnership that is registered with the SEC as an investment adviser. It controls the Apollo Credit Managers listed in (12) - (45) above. In addition, Apollo Capital Management has been engaged by AAM to serve as sub-manager to one or more accounts to be designated by certain affiliated and unaffiliated third party insurance companies.

As supervised persons of Apollo Capital Management, the Apollo Credit Managers intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Any employees of the Apollo Credit Managers and other persons acting on their behalf are and shall be subject to the supervision and control of Apollo Capital Management.

Certain inherent conflicts of interest arise from the fact that: (1) the Apollo Real Estate Managers will provide investment management services to more than one Client; (2) Clients may have one or more overlapping investment objectives; and (3) the Apollo Real Estate Managers are affiliated with other Apollo Managers that provide investment management services to Apollo Funds that may also have overlapping investment objectives. Also, the portfolio strategies employed by the Apollo Real Estate Managers for current and future Clients and by Apollo Managers for other Apollo Funds could conflict with the strategies employed by the Apollo Real Estate Managers for current and future Clients, and may affect the prices and availability of the securities and other assets in which such Clients invest. Certain Clients have similar investment strategies, and participation in specific investment opportunities may be appropriate for more than one Client. In such case, participation in such opportunities will be allocated pursuant to the Apollo Real Estate Managers' allocation policy and procedures, as further discussed in Item 6. Such considerations may result in allocations of certain investments among the Clients of the Apollo Real Estate Managers and certain other Apollo Funds on an other than a *pari passu* basis.

Additional conflicts of interest may arise because Apollo partners and principals (including personnel of the Apollo Real Estate Managers) may serve as directors of the companies in which Apollo Funds invest. In addition to any fiduciary duties the Apollo partners and principals owe to the Apollo Funds, as directors of portfolio companies, these Apollo partners and principals owe fiduciary duties to the shareholders of the portfolio companies, which in many cases are the Apollo Funds, and to persons other than Clients. In general, such director positions are often important to Clients' (and any other Apollo Funds with an investment focus on private equity) investment strategies and may have the effect of enhancing the ability of the Apollo Real Estate Managers and their affiliates to manage investments. However, such positions may have the effect of impairing the ability of the Apollo Real Estate Managers to sell the related securities when, and upon the terms, they may otherwise desire. In addition, such positions may place the Apollo partners and principals in a position where they must make a decision that is either not in

the best interests of Clients or not in the best interests of the shareholders of the portfolio company. Should an Apollo partner or principal make a decision that is not in the best interests of the shareholders of a portfolio company, such decision may subject one or more Apollo Real Estate Managers and Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, Clients will indemnify the Apollo Real Estate Managers and their partners and principals from such claims. In addition, because of the potential conflicting fiduciary duties, the applicable Apollo Real Estate Manager may be restricted in choosing investments for Clients, which could negatively impact returns received by Clients.

The governing documents of most Clients contain provisions that, subject to applicable law, reduce or modify the duties that certain covered persons would otherwise owe to such Client or its investors. Pursuant to the typical standard of care set forth in the exculpation and indemnification provisions of the governing documents of most Clients, the Apollo Real Estate Managers and each of their affiliates (including AGM) and each officer, director, partner, member, manager, shareholder and employee of the foregoing, and each member of the advisory board, if applicable (including, solely in connection with matters relating to the advisory board, the investor and/or other person on whose behalf the advisory board member is serving), will be indemnified and held harmless from losses sustained from any act or omission in connection with Clients' activities, absent (among other things) bad faith, gross negligence, willful misconduct, fraud or willful or reckless disregard of their duties and may receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. For example, in their capacity as directors of portfolio companies, the officers, directors, partners, members, managers, employees and shareholders of the Apollo Real Estate Managers or their respective affiliates may be subject to derivative or other similar claims brought by shareholders of such companies. The fees, costs and expenses (whether or not advanced) and other liabilities resulting from such indemnification obligations are generally Operating Expenses and will be paid or otherwise borne by Clients (including by satisfaction out of unpaid capital contributions of their respective limited partners, shareholders or other investors). The application of the foregoing standards may result in limited partners having a more limited right of action in certain cases than they would in the absence of such standards. In the case of "gross negligence," this standard of care has been held in some jurisdictions to involve conduct that is closer to willful misconduct. Further, members of advisory boards are held only to a duty of good faith, and generally will be considered to have acted in good faith even if considering only the interests of the investor and/or other person on whose behalf the advisory board member is serving. As a result of these considerations, even though such exculpation and indemnification provisions in a Client's governing documents will not act as a waiver on the part of such Client's investors of any of their rights under applicable U.S. securities laws or other laws the applicability of which is not permitted to be waived, the application of the foregoing standards may result in such Client bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of such covered persons. Such financial losses may have an adverse effect on the returns to the applicable Client's investors and, if the Client's assets are insufficient to satisfy such Client's indemnification obligations, its investors may be required to return amounts distributed to them, subject to any limitations set forth in such Client's governing documents.

Certain Clients have advisory boards that consist of the representatives of certain investors in such Clients. Any approval or consent given by such advisory boards tends to be binding on such Clients and all of their investors. Advisory boards are also generally authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Client's advisory board, such investor will have no influence over matters submitted to the advisory board for approval. Although the Apollo Real Estate Managers have adopted policies and procedures designed to manage conflicts among Clients, members of the advisory boards may themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the advisory boards on which they serve. For example, in a cross trade situation where an Apollo Real Estate Manager or one of its affiliates arranges for a Client to purchase an investment from, or sell an investment to, another Client, if an advisory board member has an interest in both Clients involved in the cross trade, such member may favor one Client over the other if such member's interests are more aligned with the Client it favors. In addition, if the member has an interest adverse to the Apollo Real Estate Managers, it may not act in the best interest of the Client that it represents. While the Apollo Real Estate Managers may adopt policies or procedures to address such conflicts in the future, they have not done so to date, and it may not be possible to entirely eliminate such conflicts.

The Apollo Real Estate Managers and their personnel may have conflicts in allocating their time and services among Clients. Personnel of the Apollo Real Estate Managers may provide services to other Apollo Funds and Apollo's other existing and potential business activities. None of the Clients will have an interest in such investments or other investment funds organized or sponsored by any of the Apollo Real Estate Managers or Apollo. It is possible that the investments held by such other Apollo Funds may be competitors of Clients.

A principal or employee of an Apollo Real Estate Manager or a related person may, from time to time, serve as a director or acquire observer rights with respect to portfolio companies, the securities of which are purchased on behalf of Clients. In the event that an Apollo Real Estate Manager or a related person: (i) obtains material non-public information in such capacity with respect to any such company or (ii) is subject to trading restrictions pursuant to the internal policies of such company, the Apollo Real Estate Managers may be prohibited from engaging in transactions with respect to the securities or instruments of such company. Such a prohibition may have an adverse effect on Clients.

Apollo currently operates without ethical screens or information barriers that other firms implement to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. In an effort to manage possible risks from Apollo's decision not to implement such screens, Apollo maintains a Code of Ethics, as described in Item 11 and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures. In addition, Apollo's Chief Compliance Officer maintains a list of restricted securities as to which Apollo may have access to material non-public information and in which Apollo Funds are not permitted to trade. In the event that any employee of Apollo obtains such material non-public information, the Apollo Real Estate Managers may be restricted in acquiring or disposing investments on behalf of Clients, which could impact the returns generated for Clients.

Notwithstanding the maintenance of restricted lists and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in an Apollo Real Estate Manager, or one of its investment professionals, buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the reputation of the Apollo Real Estate Managers, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact the Apollo Real Estate Managers' ability to perform investment management services on behalf of Clients. In addition, while Apollo currently operates without information barriers on an integrated basis, Apollo could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, Apollo's ability to operate as an integrated platform could also be impaired, which would limit the Apollo Real Estate Managers' access to Apollo personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Apollo Real Estate Managers, their affiliates, and their personnel. The Apollo Real Estate Managers will endeavor to resolve conflicts with respect to investment opportunities in a manner they deem equitable to the extent possible under the prevailing facts and circumstances. Affiliates of the Apollo Real Estate Managers may invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by, or may fall within the investment guidelines of a Client. The Apollo Real Estate Managers' affiliates may give advice or take action for their own accounts that may differ from, conflict with, or be adverse to, advice given to or action taken for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more Clients. Potential conflicts also may arise due to the fact that the Apollo Real Estate Managers' affiliates may have investments in some Clients but not in others, or may have different levels of investments in the various Clients, and that each of the Clients may pay different levels of fees.

Apollo, together with the Apollo Funds, engages in a broad range of business activities and invests in portfolio companies whose operations may be substantially similar to and/or competitive with the portfolio companies in which Clients have invested. The performance and operation of such competing businesses could conflict with and adversely affect the performance and operation of Clients' portfolio companies, and may adversely affect the prices and availability of business opportunities or transactions available to such portfolio companies. Apollo will seek to resolve conflicts in a manner that Apollo determines in its sole discretion to be fair and equitable.

In addition, an Apollo Real Estate Manager or another Apollo Manager may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Clients with similar strategies may not hold the same securities or instruments or achieve the same performance. An Apollo Real Estate Manager or another Apollo Manager also may advise Clients with conflicting investment objectives or strategies. These activities also

may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.

The Apollo Real Estate Managers and their affiliates also may have ongoing relationships with companies whose securities have been acquired by, or are being considered for investment by, Clients. From time to time, an Apollo Real Estate Manager may acquire securities or other financial instruments of an issuer for one Client which are senior or junior securities or financial instruments of the same issuer that are held by, or acquired for, another Client or Apollo Fund (e.g., one Client may acquire senior debt while another Client or Apollo Fund may acquire subordinated debt). For example, in the event such issuer enters bankruptcy, the Client holding securities which are senior in bankruptcy preference may have the right to aggressively pursue the issuer's assets to fully satisfy the issuer's indebtedness to the Client, and as a fiduciary, the applicable Apollo Real Estate Manager would have an obligation to pursue such remedy on behalf of the Client. As a result, a Client holding assets of the same issuer which are more junior in the capital structure may not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and may suffer a loss. The Apollo Managers recognize that conflicts may arise under such circumstances and will endeavor to treat all Clients fairly and equitably. To that end, the Apollo Managers have adopted procedures that are designed to enable the Apollo Managers to address such conflicts and to ensure that Clients are treated fairly and equitably. No Client may acquire securities or other interests of a class that is senior or junior to a class of securities of an issuer already held by another Client unless the disclosure and governing documents for each of the affected Clients contemplate such an investment practice and contain appropriate risk and conflict disclosures.

### AAM

AAM is affiliated with the Apollo Real Estate Managers and controlled by Apollo. Certain members of AAM's management, including its Chief Executive Officer, have equity ownership interests in both AAM and Athene Holding and may also be officers of Athene Holding and/or its subsidiaries (together, the "Athene Group"). AAM acts as investment manager to certain insurance and reinsurance company subsidiaries of Athene Holding, certain reinsurance accounts related to such subsidiaries and certain unrelated third party insurance companies affiliated with Apollo. AAM, either directly or through the use of subadvisers, including certain Apollo Real Estate Managers and Apollo Managers, invests primarily in fixed-income and alternative investments.

Pursuant to the terms of an investment management agreement, AAM currently charges Athene Holding and its subsidiaries monthly management fees that are based on a percentage of assets under management ("Athene Management Fee"). The Athene Management Fee is generally payable to AAM monthly or quarterly in arrears. Athene Holding has also agreed to reimburse AAM for any financial losses incurred to the extent that any such reimbursed amounts, together with all Athene Management Fees paid by Athene Holding directly or indirectly, do not exceed certain thresholds. In addition to the Athene Management Fee, AAM allocates certain AAM employee expenses to Athene Holding or its subsidiaries for services provided to these applicable entities by such employees, such as risk management, corporate governance, executive management, legal, marketing and information technology services. Athene Holding

has also agreed to pay (i) for any management fees and cost reimbursement expenses associated with subsidiaries of Athene Holding or their reinsurance clients (the “Applicable Clients”) that are not paid by the Applicable Clients and (ii) an additional fee so that the total amount paid by the Athene Group with respect to all investment assets of the Applicable Clients equals forty (40) basis points per annum on the applicable market values. From time to time, subsidiaries of Athene Holding may agree to amend the investment management agreement between such entity and AAM, which may include paying AAM higher management fees and/or entering into similar arrangements with other Apollo Managers. Moreover, as further described below, Apollo may be able to cause Athene Holding to agree to raise AAM’s fees with respect to Athene Holding and/or its subsidiaries. Such amendments or similar arrangements would be subject to the Conflicts Test (as described below).

In addition to the Athene Management Fee, AAM generally has the authority to hire subadvisers and to agree to the fees and other remuneration payable to such subadvisers (subject to the Conflicts Test). In connection therewith, AAM has hired certain Apollo Managers to act as subadvisers for certain asset classes and may hire additional Apollo Managers in the future with respect to other asset classes (subject to the Conflicts Test). In connection with such services, certain Apollo Managers receive sub-advisory fees payable by the Athene Group. In such instances, Apollo’s fees (subject to the Conflicts Test) may not be the lowest fees available for similar sub-advisory or investment management services offered by Apollo Managers or unrelated advisors.

AAM may also provide discretionary investment advisory services to certain third-party insurance companies that are not affiliated with either Apollo or Athene Holding. Fees charged by AAM to such unaffiliated insurance companies are individually negotiated and established pursuant to each company’s investment management agreement. Such companies may or may not agree to allow AAM to appoint subadvisers and/or may not agree to pay for the additional fees and/or expenses of such subadvisers. To the extent that Clients do not permit AAM to use subadvisers and/or to pay the fees and expenses of any such subadviser, AAM may manage the Client’s account without the use of subadvisers, including Apollo affiliated investment advisers. As a result, such Client’s asset allocation and performance may differ materially from Client’s that agree to pay the fees and expenses of such subadvisers.

Members of the Athene Group have invested in, and in the future may invest in, alternative investments, including the Apollo Funds. Examples of existing investments in Apollo Funds include, but are not limited to: (i) two leveraged CMBS vehicles; (ii) a life-settlements fund; (iii) a European senior debt fund; (iv) a vehicle focusing on Asian micro-loans; (v) a vehicle formed to acquire prime London real-estate; (vi) equity tranches of collateralized loan obligation issuers; (vii) equity investments in levered loan vehicles; (viii) a natural resource fund; (ix) a US CRE equity fund; (x) a vehicle formed to acquire US REO-to-rent real estate; (xi) a vehicle formed to acquire German real-estate; (xii) a European opportunistic investment fund; (xiii) a publicly traded commercial real estate REIT; and (xiv) investment vehicles set up to hold co-investments contributed to the Athene Group as equity capital by an affiliate of AAA. Apollo will be entitled to receive various forms of consideration with respect to each fund, including management fees, portfolio fees, closing fees, carried interest and/or employment expense reimbursement and such

fees may not be the lowest fees available for similar services offered by Apollo or unrelated advisors.

Affiliates of Apollo also may advise members of the Athene Group on certain proposed financial transactions, acquisitions, and other matters related to their strategic interests and will receive fees as consideration for such services pursuant to the terms of a transaction services agreement (“Services Agreement”). Pursuant to such Services Agreement, members of the Athene Group have agreed jointly and severally to pay a quarterly fee based on a percentage of the capital and surplus of Athene Holding (exclusive of certain reimbursements for out-of-pocket expenses) plus a percentage of the aggregate consideration for value paid or provided by Athene Holding and/or its subsidiaries in connection with the closing of any merger, acquisition or similar transaction. In addition, affiliates of Apollo may be entitled to receive a closing fee from Athene Holding equal to a percentage of the amount set forth in each capital call notice delivered to investors under the subscription agreements for certain shareholders of Athene Holding. Upon a qualified initial public offering or a sale, Athene Holding shall jointly pay affiliates of Apollo a lump-sum amount equal to the net present value of any remaining quarterly advisory fees owed from the date of such qualified initial public offering or sale, as applicable, until the expiration of the term of the Services Agreement.

Certain affiliates of Apollo charge Athene Holding and Athene Life Re Ltd., from the first quarter of 2013 until December 31, 2014, a quarterly fee equal to (i) 0.5% of Athene Holding’s capital and surplus as of the end of the applicable quarter minus (ii)(A) an amount equal to the number of Athene Holding’s shares issued to AAA Guarantor – Athene, L.P. and its subsidiary Apollo Life Re Ltd. (collectively, the “AAA Investor”) pursuant to a Contribution Agreement (less shares issued to satisfy a prior commitment of the AAA Investor) multiplied by (B) \$13.46 (collectively, the “Quarterly Fee”) multiplied by (iii) 2.5, with such fee being paid in shares of the Company (or equivalent derivatives). In the event of a sale of Athene Holding or a qualified initial public offering (each as defined in the Services Agreement, a “CiC Event”) occurs prior to December 31, 2014, a lump sum will be paid for the number of remaining quarters (up to eight) based on the monitoring fee paid in the quarter preceding the CiC Event.

Due to the voting structure of Athene Holding and because Apollo controls forty-five percent (45%) of the voting control over Athene Holding, including control of its Board of Directors, the potential exists for Apollo to cause members of the Athene Group to enter into transactions that may benefit Apollo (including AAM) at the possible detriment to Athene Holding’s shareholders. In order to mitigate any potential conflicts of interest that may arise, the Sixth Amended and Restated Bylaws of Athene Holding (the “Shareholders Agreement”) governs a conflicts committee (“Conflicts Committee”) of the Board of Directors of Athene Holding. The purpose of the Conflicts Committee is to provide consent, if appropriate, to certain conflicts of interest regarding transactions involving Athene Holding and/or its subsidiaries and Apollo and its affiliates, including AAM. The Conflicts Committee consists of the Chief Executive Officer of Athene Holding and AAM, the Chief Executive Officer of Athene Life Re Ltd., a subsidiary of Athene Holding, and three directors who are not affiliated with Apollo or employed by the Athene Group. Apollo’s ability to designate Conflicts Committee members on account of its control of the board of Athene Holding could significantly influence the Conflicts Committee



with respect to Athene Holding, including with respect to conflicts with Apollo and with respect to businesses that may compete directly with or do business with Apollo businesses.

Not all potential Apollo conflicts are subject to the approval of the Conflicts Committee (for example, non-material transactions or transactions that are less likely to be on terms that are less advantageous to the Athene Group than can be obtained through arms-length negotiations are not required to be reviewed by the Conflicts Committee). However, the Sixth Amended and Restated By-Laws of Athene Holding require that entering into new (or amending existing) transactions between Apollo (and its subsidiaries) and Athene Holding (and its subsidiaries) be, at the time such transaction is approved, (i) fair and reasonable, taking into account the totality of the relationship between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Athene Group), or (ii) on an arms-length basis, or (iii) approved by the disinterested directors of Athene Holding, or (iv) approved by the holders of a majority of the issued and outstanding Class A common shareholders of Athene Holding, or (v) approved by the Conflicts Committee (the “Conflicts Test”). Additionally, Athene Holding must maintain a log of all contracts, agreements and arrangements that its board of directors, acting in its sole discretion, deems to involve a potential conflict of interest with Apollo, and shareholders may review such log from time to time upon reasonable request.

Because certain Apollo Funds and portfolio companies have similar investment programs and/or engage in similar business objectives and strategies as Athene Holding, Apollo may identify opportunities that are appropriate and fall within the investment or business objectives of Athene Holding as well as the Apollo Funds and portfolio companies. Such opportunities may be similar to opportunities that could be identified by unrelated, third-parties and fees related to such Apollo identified opportunities may not be the lowest fees available.

To the extent that the Apollo Funds may pay higher fees and/or carried interest to Apollo, Apollo may be incentivized to allocate investment opportunities to such Apollo Funds. With respect to the categories of investments which are managed by Apollo, Apollo will make such investments in accordance with Apollo’s allocation policies as then in effect from time to time, which allocation policies are intended to satisfy Apollo’s fiduciary duties to all of its Clients under the Advisers Act.

Apollo Funds may engage in cross trades (as defined below) with the Athene Group. In addition, AAM may effect cross trades between its Clients from time to time, including between different members of the Athene Group, between a member of the Athene Group and an unaffiliated third-party client, between unaffiliated third-party clients and/or between AAM’s Clients and Apollo Clients. The potential conflicts of interest associated with such cross trades are addressed in Item 11.

From time to time, there may be different investment teams for AAM and Apollo respectively investing in the same strategies for different Clients. Where Apollo Managers source investment opportunities, allocations of such investment opportunities are made across all suitable Clients. However, where Athene investment teams, including employees of AAM, source a particular investment opportunity, AAM and Apollo investment teams may function independent of each other and may not share investment opportunities. As a result, in certain situations, Clients may

compete for the same investment opportunities, potentially disadvantaging the competing Clients. These situations may deviate from the general allocation policies described in Item 6.

In addition, certain Apollo Funds may own the same or similar securities and other financial instruments that AAM has selected for its Clients. The Apollo Funds may acquire such securities at different times and/or different prices than Athene Holding and its subsidiaries or other AAM Clients and may acquire different classes of securities of the same issuer (*e.g.*, an Apollo Fund owns subordinated debt and an AAM Client owns senior debt in an issuer or vice versa). Apollo and its affiliates may also make investments that are contrary to the investments made by Athene Holding and its subsidiaries and/or other AAM Clients (*e.g.*, Apollo may take a short position in a security in which Athene Holding or such other AAM Client holds a long position). This may give rise to conflicts of interest regarding the management strategy taken toward such securities held by Athene Holding or such other AAM clients and the Apollo Funds.

Similarly, certain AAM Clients may acquire the same or similar securities and financial instruments at different times and/or different prices and may acquire different classes of securities of the same issuer. Certain AAM Clients may also make investments that are contrary to the investments made by other AAM Clients. This may also create conflicts of interest regarding the management strategy taken toward such securities held by such AAM Clients.

#### Family Offices

Two of the managing partners of AGREM have established family offices to provide investment advisory, accounting, administrative and other services to their respective family accounts (including certain charitable accounts) in connection with their personal investment activities unrelated to their investments in Apollo entities. Each of the family offices employs its own professional staff at its own expense, and each of them conducts its day-to-day operations independently of Apollo. The managing partners generally do not participate in decisions to invest in specific securities, but they do make decisions relating to allocations among strategies, asset classes, sectors and internal and external portfolio managers. For this purpose, the managing partners generally have access to position-level data concerning the investments held in the family office accounts. The investment activities of the family offices, and the involvement of the managing partners in these activities, could give rise to potential conflicts between the personal financial interests of the managing partners and the interests of Clients (for example, if the family offices were to hold debt obligations or securities in a portfolio company in which a Client owned equity or subordinated debt and that was experiencing financial distress). AGREM has adopted certain procedures designed to mitigate some of these potential conflicts (for example, by requiring investment professionals employed by the family offices to refrain from making direct investments in portfolio companies that are controlled by Clients or that are the subject of announced transactions involving Clients).

#### Other Related Persons

Related persons of the Apollo Real Estate Managers serve as sponsors or syndicators of limited partnerships. Apollo, and certain affiliates of Apollo, serve as general partners of Apollo Funds and are regularly engaged in the business of sponsoring pooled investment vehicles and

separately managed accounts. Conflicts of interest associated therewith are discussed above in this Item 10.

Since participation in specific investment opportunities may be appropriate, at times, for more than one Client and for other Apollo Funds, Apollo has established policies and procedures for allocating investment opportunities among the Clients, the Apollo Managers and the Apollo Funds. The procedures have been adopted to ensure that each Client and Apollo Fund is treated in a manner that, over time, is fair and equitable and to take into account the fact that Clients and Apollo Funds tend to have broad investment mandates that may overlap. Please see Item 6 for a more detailed description of Apollo's policies for allocating investment opportunities.

#### Selection of Service Providers

Except as may otherwise be provided under the terms of a Client's governing documents, the Apollo Real Estate Managers or one or more of their affiliates will generally select Clients' service providers and will determine the compensation of such providers without review by or the consent of an advisory board or other independent party. Clients, regardless of the relationship to the Apollo Real Estate Managers, their affiliates or the person performing the services, bear the fees, costs and expenses related to such services. This may create an incentive for an Apollo Real Estate Manager or an applicable affiliate to select an affiliated service provider or to select service providers based on the potential benefit to the Apollo Real Estate Manager, rather than to Clients. For example, AGREM may select service providers that use its or its affiliates' premises, for which AGREM or one of its affiliates does not currently, but may in the future, receive overhead, rent or other fees, costs and expenses in connection with such on-site arrangement. Furthermore, AGREM or one or more of its affiliates may engage the same service provider to provide services to a Client that also provides services to AGREM or any such affiliate, which creates a potential conflict of interest to the extent the interests of such parties are not aligned. For example, a law firm may at the same time act as legal counsel to a Client, its general partner or similar person, its investment advisor or other affiliates of AGREM. The Apollo Real Estate Managers and their affiliates address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including law firms) provides its service on a "best execution" basis, taking into account factors such as expertise, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying the Apollo Real Estate Managers' or their affiliates' service provider selection criteria. In addition, in the event such service providers are affiliates of the Apollo Real Estate Managers (as opposed to third parties), the engagement of such providers must typically comply with the conditions applicable to affiliate transactions, if any, set forth in the Clients' governing documents.

### **ITEM 11**

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

##### Code of Ethics.

Apollo and the Apollo Managers, including the Apollo Real Estate Managers, have adopted a Code of Ethics (the "Code") designed to ensure compliance with Rule 204A-1 under the

Advisers Act. The Code applies to all partners, principals, directors, officers, employees and supervised persons of Apollo (each a “Covered Person”). The Apollo Real Estate Managers (and the other Apollo Managers) strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Code incorporates the following general principles that all Covered Persons are expected to uphold:

- (i) Covered Persons must at all times place the interests of the Apollo Funds first;
- (ii) all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of a Covered Person’s position of trust and responsibility must be avoided;
- (iii) Covered Persons must not take inappropriate advantage of their positions;
- (iv) information concerning the identity of securities and financial circumstances of the Apollo Funds, including investors in Apollo Funds, must be kept confidential; and
- (v) independence in the investment decision-making process must be maintained at all times.

Finally, Covered Persons are required to comply with applicable federal securities laws at all times.

#### Personal Trading Restrictions.

The Code requires that Covered Persons’ personal investment activities comply with all applicable laws and regulations. In addition, Covered Persons are required to obtain prior approval for all securities transactions, other than those involving: US Government and municipal securities; exchange-traded funds and closed-end funds; mutual funds (*i.e.* open ended investment companies); variable annuities; and transactions in fully-managed accounts where Covered Persons or other Relevant Persons (as defined below) significantly contribute. Covered Persons are prohibited from purchasing securities in initial public offerings.

The Code provides that approval generally will not be granted for securities of companies on Apollo’s Restricted List. Further, approval generally will not be granted for proposed securities transactions in securities of companies with a market capitalization for the outstanding equity on the date of trade of more than \$100 million and less than \$10 billion. This “market-capitalization band” may be changed from time to time.

#### Personal Securities Holdings and Transaction Reports.

Subject to limited exceptions, each Covered Person must periodically submit to the Compliance Officer a report of the holdings in the accounts in which the following persons have a direct or indirect beneficial ownership interest or over which the following persons exercise any investment control, influence or discretion: (i) the Covered Person; (ii) any member of the Covered Person’s immediate family and to whose support the Covered Person significantly contributes, which may include the Covered Person’s spouse, children, stepchildren, grandchildren, parents, grandparents, stepparents, siblings, persons with whom a Covered Person

has an adoptive or in-law relationship; or (iii) any other person a Covered Person significantly contributes. (Each individual identified in clauses (ii) and (iii) a, “Relevant Person”).

The holdings reports must contain, at a minimum: (i) the title and type of security, and, as applicable, the exchange ticker symbol or CUSIP number, number of shares and principal amount of each reportable security in which the Relevant Persons have any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the Relevant Persons maintain an account in which any securities are held for the Relevant Person’s direct or indirect benefit; (iii) if securities are held other than with a broker, dealer or bank, the location of the securities; and (iv) the date that the Covered Person submits the report to the Compliance Officer.

Each Covered Person must also send to the broker-dealer(s) or financial institution(s) carrying each account a letter authorizing and directing that it forward duplicate monthly statements, as well as any other information or documents as AGREM’s Compliance Officer may request, directly to AGREM.

The Code requires each Covered Person to prepare or certify, on at least an annual basis, reports of securities holdings and transactions. Covered Persons may submit monthly account statements instead of providing the above described holdings report.

#### Material, Non-Public Information.

The Code includes policies and procedures concerning “inside information” (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. Covered Persons are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis. The Insider Trading Policies prohibit the Apollo Real Estate Managers and Covered Persons from trading for Clients or themselves, or recommending trading, in securities of a company while in possession of material, non-public information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it.

By reason of their various activities, Apollo Managers may have access to Inside Information and, as a result, be restricted from effecting transactions in certain investments that might otherwise have been initiated. For example, there may be certain cases where the Apollo Managers or their personnel receive Inside Information due to their various activities on behalf of Apollo Funds, which could result in either limited liquidity or in the Apollo Real Estate Managers or their personnel being prohibited from using such information for the benefit of Apollo Real Estate Funds. By way of another example, Apollo’s investment professionals must obtain approval from Compliance prior to engaging any expert network and must send affirmations indicating the investment professional did not receive material nonpublic information and did not breach any duty of confidentiality. Apollo’s investment professionals receive initial and annual training in the use of expert networks and paid consultants. The Apollo Managers seek to minimize those cases whenever possible, consistent with applicable law and the Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

### Other Provisions of the Code.

Covered Persons are subject to additional standards of conduct relating to the use of funds and property, conflicts of interest and opportunities belonging to Clients, managing investments of related parties, and general standards of conduct including the conduct expected when dealing with Clients and the investors in Clients. In addition, Covered Persons are subject to Apollo's Anti-Money Laundering procedures. Covered Persons are required to certify periodically that they have complied with the terms of the Code. Violations of the Code are subject to the imposition of sanctions, up to and including termination.

A copy of the Code will be provided to any Client or prospective Client upon request.

The Apollo Real Estate Managers and their personnel do not purchase any securities for their own accounts from, or sell any securities for their own accounts to, Clients. However, from time to time, subject to applicable Client investment guidelines and restrictions, an Apollo Real Estate Manager may direct one Client to sell securities to another Client through an internal cross transaction. These "cross transactions" also may occur with other Apollo Funds. Cross trades may be executed with the assistance of a broker-dealer or as an "internal cross" where the Clients' custodian(s) is instructed to book the transaction at a price determined in accordance with Apollo's valuation policies. No fees will be charged to Clients in connection with the completion of a cross trade. Cross trades may be viewed as principal transactions due to the ownership interests in the Client by the Apollo Real Estate Managers and their personnel.

Cross transactions and principal transactions may give rise to conflicts of interest between Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, the Apollo Real Estate Managers could use their investment authority to transfer unappealing securities from one Client to another Client.

To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Client by the Apollo Real Estate Managers and their personnel, the Apollo Real Estate Managers will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. Specifically, the Apollo Real Estate Managers' investment professionals must provide notice to, and obtain the approval of, AGREM's Chief Compliance Office or designee and a member of the legal department, prior to executing a principal trade or cross trade. When reviewing a proposed principal trade or cross trade, the Chief Compliance Officer or designee shall confirm, among other things: (i) that such trade is allowed by the applicable Client's investment guidelines, (ii) that AGREM's valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate, and (iii) in the case of principal trades, that notice of the specific trade was provided to the Client and written consent from the Client was obtained.

The Apollo Real Estate Managers generally do not co-invest in any of the Apollo Real Estate Funds or the Apollo Funds. However, Apollo's principals, officers and employees and certain of Apollo's affiliates may have direct and indirect investments of their own capital in the Apollo Funds through, for example, employee co-investment vehicles, direct investments, deferred compensation agreements, performance allocation and carried interest. Certain principals of

Apollo may become investors in ARI through an equity incentive plan, or through the acquisitions of shares of ARI's common stock through a private placement. Additionally, an Apollo Real Estate Manager may become an investor in a Client as a result of a management fee waiver program. The existence of the carried interest or performance allocation with respect to Clients may create an incentive for the Apollo Real Estate Managers to make more speculative investments on behalf of Clients than they might otherwise make in the absence of such performance-based compensation. The terms of the carried interest or performance allocation could give the Apollo Real Estate Managers an incentive to make decisions regarding the timing and structure of realization transactions that are not applicable to the interests of investors.

The Apollo Real Estate Managers have put in place Personal Trading Policies and Procedures, as set forth in the Code of Ethics and as discussed more fully above in this Item 11, designed, among other things, to address the conflicts of interest that arise in connection with personal trading.

The Apollo Real Estate Managers' Clients may have similar investment strategies, and participation in specific investment opportunities may be appropriate for more than one Client. If it is not possible to satisfy in full the investment interest of multiple Clients in an investment opportunity, then the Apollo Real Estate Managers will determine each Client's participation in one of the following ways: (i) *pro rata* allocation or (ii) allocation according to the Apollo Real Estate Managers' allocation policies and procedures which are described more fully in Item 6 and Item 10 above.

*Potential Duties to Other Shareholders.* The Apollo Managers, including AGREM, are affiliates of AGM. The class A shares of AGM are publicly traded on the New York Stock Exchange. As a result, the Apollo Managers may have duties or incentives relating to the interests of AGM's shareholders that may differ from, and that could conflict with, the interests of the Clients and their investors, such as conflicts arising from the allocation of expenses, Special Fee offsets and investment opportunities (specifically, opportunities in the financial services industry). The Apollo Managers, consistent with their fiduciary duties, will endeavor to resolve such conflicts in a manner they deem fair and equitable to the extent possible under the prevailing facts and circumstances. The Apollo Managers will seek to allocate investment opportunities in the financial services industry between AGM and Clients in accordance with their respective governing documents and will evaluate such opportunities in accordance with Apollo's allocation policies and procedures. In the past, the application of such policies has resulted in the allocation by Apollo Managers of certain investment opportunities relating to the alternative investment management business to AGM rather than to Clients (for example, the Stone Tower Capital LLC and its related management companies and GSAM financial services businesses), and the Apollo Managers may allocate such opportunities in a similar manner in the future.

## **ITEM 12**

### **Brokerage Practices**

To the extent portfolio transactions are executed by brokers, such brokers will be selected by the Apollo Real Estate Managers in their absolute discretion. In placing portfolio transactions, the Apollo Real Estate Managers must use reasonable diligence to ascertain the "best" market price

for all securities bought or sold in that market so that the price to Clients is as favorable as possible under prevailing market conditions. The determinative factor is whether the transaction represents the best qualitative execution for the Client and not whether the lowest possible commission cost is obtained. The Apollo Real Estate Managers consider the full range of quality of the broker's service in selecting brokers to meet best execution obligations and may not pay the lowest commission rates available. The Apollo Real Estate Managers generally take the following factors into account to select brokers for portfolio transactions: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any), (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution, (iii) the financial strength, integrity and stability of the broker, (iv) the broker firm's risk in positioning a block of securities, (v) the quality, comprehensiveness and frequency of available research services considered to be of value, and (vi) the competitiveness of commission rates in comparison with other brokers satisfying the Apollo Real Estate Managers' other selection criteria. The Apollo Real Estate Managers are not required to weigh any of these factors equally.

The constituent documents of certain Apollo Funds authorize the use of "soft dollars." The term "soft dollars" refers to the receipt by Apollo Managers of products and services provided by brokers without any cash payment by Apollo Managers, based on the volume of revenues generated from brokerage commissions for transactions executed for Apollo Funds. The Apollo Managers may in the ordinary course use "soft dollars" to obtain research products and services. Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use "soft dollars" generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to investment managers in the performance of their investment decision-making responsibilities. Although certain Apollo Managers have the discretion to use soft dollars to obtain services and products that would not be within the safe harbor afforded by Section 28(e) of the Exchange Act and for which it would otherwise be required to pay in cash, they have no plans to do so, and will notify the Apollo Funds of any change to that policy.

Consistent with Section 28(e) of the Exchange Act, research products or services obtained with soft dollars generated by one or more Clients may be used by the Apollo Real Estate Managers or another Apollo Manager to service one or more other Clients, including Clients that may not have paid for the benefits. Apollo Managers may not allocate soft dollar benefits to Clients in proportion to the soft dollar credits each Client generates. Apollo Managers do not seek to allocate soft dollar benefits to Clients in proportion to the soft dollar credits each Client generates.

Where a product or service obtained with soft dollars provides both research and non-research assistance, Apollo Managers will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist because the allocation of beneficial services may benefit Apollo Managers in addition to Apollo Clients. Apollo Managers currently have no formal arrangements with broker-dealers with respect to soft dollars, but may receive unsolicited research from broker-dealers that execute Client trades.



If an Apollo Manager determines that the purchase or sale of the same security is in the best interest of more than one Client, the Apollo Manager may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will receive the average price with transaction costs allocated *pro rata* based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by the Apollo Manager. In the event of a partial fill, allocations generally will be made *pro rata* based on the initial order, but may be modified on a basis that the Apollo Manager deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. This may result in allocations of certain investments on other than a *pari passu* basis.

### **ITEM 13**

#### **Review of Accounts**

The portfolio managers across the Clients managed by the Apollo Real Estate Managers engage in ongoing monitoring of each investment. In addition, the Apollo Real Estate Managers conduct thorough periodic reviews of Client accounts in order to assess trends that may impact an individual investment's ability to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

The Investment Practices Committee of Apollo (the "IPC") meets on a quarterly basis to review portfolio management, investment processes and related documents evidencing compliance with written policies and procedures for all Apollo Funds. Generally, the IPC provides oversight of issues relating to the investment and trading of Apollo Funds, such as allocations and best execution. The IPC ensures certain management reports and certifications are reviewed by members of Apollo's Compliance, Finance, Operations and Legal Departments.

The Apollo Real Estate Funds (other than ARI) generally deliver to investors (i) on a quarterly basis, a report which includes a portfolio summary, market outlook, the net asset value of portfolio investments and financial statements, and (ii) on an annual basis, financial statements.

As a result of ARI's public offering of its common stock, ARI is subject to the information and reporting requirements of the Exchange Act. ARI files periodic reports and proxy statements. Annual reports containing audited financial information for each year and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information are available to stockholders.

### **ITEM 14**

#### **Client Referrals and Other Compensation**

Neither AGREM nor the Apollo Real Estate Managers compensates any person who is not a supervised person, including solicitors or placement agents, for Client referrals. However, the Apollo Real Estate Managers may enter into arrangements with, and compensate, solicitors for investor referrals to the Apollo Real Estate Funds. These solicitation arrangements will be fully disclosed to affected investors and will generally be consistent with the requirements of Rule 206(4)-3 under the Advisers Act, which applies to Clients. Generally, the terms of such arrangements will vary but call for the Apollo Real Estate Manager to pay the solicitor a fee equal to a percentage of capital contributions, management fees, incentive fees, incentive allocations or a combination of such contributions or fees borne by each investor introduced to an Apollo Real Estate Fund by the solicitor.

### **ITEM 15**

#### **Custody**

The Apollo Real Estate Managers generally are deemed to have custody of Client funds and securities (other than those of ARI) because they have the authority to obtain Client funds or

securities, for example because: (1) they have affiliated entities that act as (i) the general partner of a Client formed as a limited partnership or (ii) the managing member of a Client formed as a limited liability company; or (2) they have the authority to withdraw Client funds from an account or withdraw Client fees. Qualified custodians send Client account statements to the Apollo Real Estate Managers.

The Apollo Real Estate Managers are subject to, and comply with, Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). With respect to the Apollo Real Estate Funds (other than ARI), the Apollo Real Estate Managers are deemed to have complied with the Custody Rule because each Apollo Real Estate Fund is audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and each Apollo Real Estate Fund distributes its audited financial statements to all investors no later than 120 days after the end of the fund’s fiscal year.

With respect to ARI, AGREM and ACREFI are not required to comply with the Custody Rule because ARI is an investment company registered with under the Investment Company Act.

## **ITEM 16**

### **Investment Discretion**

The Apollo Real Estate Managers have full discretionary authority with respect to investment decisions, and their advice with respect to the Apollo Real Estate Funds is provided in accordance with the investment objectives and guidelines as set forth in their respective offering memoranda and constituent documents. The offering documents of the Apollo Real Estate Funds generally place limitations on the Apollo Real Estate Managers regarding their management of the Apollo Real Estate Funds, including: (i) the number of portfolio investments that the Apollo Real Estate Funds may acquire; (ii) the size of portfolio investments; (iii) the amount of leverage that the Apollo Real Estate Funds may use to acquire portfolio investments; and (iv) the percentage of portfolio investments acquired by the Apollo Real Estate Funds that are organized and operated primarily outside of the United States. Limited partners in the Apollo Real Estate Funds may also negotiate with the general partners in side letter agreements for more specific limitations applicable to the limited partner, such as prohibited investments in specified countries. AGREM is delegated the authority to consummate investments on behalf of the Apollo Real Estate Funds by the terms of the limited partnership agreements of the Apollo Real Estate Funds, and the investment management agreements entered into between the Apollo Real Estate Funds and the relevant Apollo Real Estate Manager.

ACREFI has formed an investment committee (the “ACREFI Investment Committee”) that will advise and consult with ACREFI’s senior management team with respect to ARI’s investment strategy, investment portfolio holdings, sourcing, financing and leverage strategies, and investment guidelines, and will approve ARI’s investments. All investments by ACREFI require the approval of the ACREFI Investment Committee. While ACREFI manages ARI’s investment portfolio pursuant to broad investment guidelines, ACREFI has discretionary authority with respect to individual investment decisions, which do not require the approval of ARI’s board of directors.

**ITEM 17**  
**Voting Client Securities**

The Apollo Real Estate Managers have been delegated the authority to vote proxies regarding their Client accounts. The Apollo Real Estate Managers may have conflicts of interest where they have a substantial business relationship with a company and the failure to vote in favor of company management could harm the Apollo Real Estate Managers' relationship with management. Conflicts also may arise in the event a senior executive of a company and principal of Apollo has a significant personal relationship that could affect how the adviser would vote on a matter relating to the company.

The Apollo Real Estate Managers have adopted and implemented policies and procedures which they believe are reasonably designed to ensure that the Apollo Real Estate Managers vote proxies in the best interests of their Clients. For example, if an Apollo representative sits on the board of directors of a company that is the subject of a proxy, the Chief Compliance Officer or designee will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between the applicable Apollo Real Estate Manager and the interests of its Client or between such Apollo Real Estate Manager and its Client and the company shareholders. In the event that a material conflict of interest is identified, the Chief Compliance Officer or designee will take such steps as he or she deems necessary in order to determine how to vote the proxy in the best interests of the Client, including, but not limited to, consulting with the legal department, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio company. In each instance, when exercising their voting discretion, the Apollo Real Estate Managers seek to avoid any direct or indirect conflict of interest between their Clients and their voting decision.

A copy of the proxy voting policy is available to Clients upon request. Further, upon request, Clients will be provided with a record of how proxies have been voted.

**ITEM 18**  
**Financial Information**

This Item 18 is not applicable. None of the Apollo Real Estate Managers is required to include a balance sheet for its most recent fiscal year, is aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, or has been the subject of a bankruptcy petition at any time during the past ten years.

**ITEM 19**  
**Requirements for State-Registered Advisers**

This Item 19 is not applicable.