

# **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.adviserinfo.sec.gov](http://www.adviserinfo.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 (“AGM”), a Delaware limited liability company, notes the following material changes disclosed since its last annual update of this Brochure filed on March 31, 2015:

The following investment manager has been added to the Brochure as a registered investment adviser 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”) (further information about the investment manager can be found in Item 4):

- Apollo Asia Real Estate Management, LLC
- AGRE Hong Kong Management, LLC

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## ITEM 4

### Advisory Business

AGM (with its affiliates, “Apollo”) is a global alternative investment manager. Its primary business is to raise, invest and manage private equity, credit and real estate funds, as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds, as well as other institutional and high net worth individual investors. Apollo has three primary business segments: (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 corporate and structured debt instruments; and (3) *Real Estate*, which primarily invests in real estate equity for the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies, and real estate debt including first mortgage and mezzanine loans, preferred equity and commercial mortgage backed securities.

AGREM is an indirect subsidiary of Apollo that is primarily engaged in managing Apollo’s real estate business and controls the real estate managers as set forth in the table below (collectively, with AGREM, the “Apollo Real Estate Managers”). The Apollo Real Estate Managers generally seek to make investments that are integrated and coordinated with Apollo’s private equity and credit business segments. The Apollo Real Estate Managers take a broad view of markets and property types in targeting debt and equity investment opportunities, including the acquisition and recapitalization of real estate portfolios, platforms and operating companies and distressed for control situations. Unless otherwise stated, the Apollo Real Estate Managers 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.

Set forth below are the Apollo Real Estate Managers and their corresponding clients:

<b>Manager</b>	<b>Client(s)</b>
2012 CMBS-I Management, LLC	2012 CMBS-I Fund, L.P.
2012 CMBS-II Management LLC	2012 CMBS-II Fund, L.P.
ACREFI Management, LLC	Apollo Commercial Real Estate Finance, Inc.
AGRE - CRE Debt Manager, LLC	AGRE Debt Fund I, L.P.
AGRE - E Legacy Management, LLC	Serves as manager to a portfolio of real estate and real estate related assets wholly owned by Citigroup Alternative Investments LLC and also serves as sub-advisor to real estate investments for which Citigroup Alternative Investments LLC serves as general partner, co-general partner, manager, advisor and/or administrator
AGRE - E2 Legacy Management, LLC	Serves as manager to a portfolio of real estate and real estate related assets wholly owned by Citigroup Alternative Investments LLC
AGRE Asia Pacific Legacy Management, LLC	CPI Capital Partners Asia Pacific, L.P.
AGRE Asia Pacific Management, LLC	BEA/AGRE China Real Estate Fund, L.P.
AGRE CMBS Management LLC	AGRE CMBS Fund, L.P.

<b>Manager</b>	<b>Client(s)</b>
AGRE Europe Legacy Management, LLC	CPI Capital Partners Europe, L.P. CPI Capital Partners Europe (NFR), L.P.
AGRE Europe Management, LLC	Apollo GSS Holdings (Cayman), L.P.
AGRE Hong Kong Management, LLC	Trophy Property Development L.P.
AGRE NA Legacy Management, LLC	CPI Capital Partners North America LP CPI Capital Partners North America Offshore LP CPI Capital Partners North America Offshore (Cayman), L.P. CPI Capital Partners North America Offshore (WT) LP CPI NA Co-Invest LP
AGRE NA Management, LLC	AGRE U.S. Real Estate Fund, L.P. AGRE USREF AIV-I, L.P.
Apollo Asia Real Estate Management, LLC	Apollo Asia Real Estate Fund, L.P.
Apollo NA Management II, LLC	Apollo U.S. Real Estate Fund II L.P.
CPI CEE Management LLC	CPI CEE Co-Invest 1 Ltd. CPI CEE Co-Invest 2 Limited

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

The funds managed by the Apollo Real Estate Managers described above, together with any parallel funds and alternative investment vehicles, feeder funds and any special purpose vehicles of any of the foregoing managed by the Apollo Real Estate Managers, 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.” In addition, the Apollo Real Estate Managers serve as investment managers to various co-investment vehicles structured to facilitate investments by affiliated and third-party co-investors alongside Apollo Real Estate Funds (“Co-Investment Vehicles”). The Apollo Real Estate Funds, together with the other Apollo Funds and Co-Investment Vehicles, are collectively referred to as “Clients.”

### **Co-Investments**

To the extent that a particular investment opportunity exceeds the desired aggregate allocation to a Client, in view of allocation considerations discussed in Item 6 below, the Apollo Real Estate Managers may offer opportunities for co-investment. Co-investment opportunities may be offered to persons or firms, who due to industry expertise or otherwise, the Apollo Real Estate Managers or their affiliates believe will be of benefit to Clients and/or may provide a strategic sourcing or similar benefit to any of the Apollo Real Estate Managers, Clients, portfolio companies of Clients, or their respective affiliates (each, a “Strategic Co-Investor”) or any limited partner, shareholder or other investor of any Client, or any other person (including

partners, officers and employees and their related parties and associates of Apollo Real Estate Managers or their parent companies, an Apollo Real Estate Manager or its affiliates, portfolio company management team members, consultants or advisors) (collectively, Co-Investors”).

The Apollo Real Estate Managers and their affiliates may charge management fees and other fees to, or receive carried interest from, such Co-Investors or Co-Investment Vehicles.

The Apollo Real Estate Managers 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 have direct and indirect investments of their own capital in certain Apollo Funds through, for example, employee co-investment vehicles, direct investments, deferred compensation agreements, performance allocation, and carried interest.

### **Strategic Partnerships**

The Apollo Real Estate Managers or one or more of their affiliates have entered 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.

The preferential terms provided to strategic partnership investors are generally not subject to “most favored nation” provisions in the respective Client governing documents. For example, when a strategic partnership investor invests in a Client on the same general terms as other investors in that Client, but receives a lower blended management fee or carried interest rate because of the relationship of the strategic partnership investor to Apollo as a whole, the lower blended fees (and any other preferential terms received by the strategic partnership investor) 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 on side letters with other investors) suggest that the provisions ought to apply. In addition, strategic partnerships are represented by members on certain Client advisory boards. Potential conflicts of interest involving members of Client’s advisory boards are discussed in Item 10.

### **Investment Advisory Relationship**

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 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 also offer advice to Clients that invest in instruments that are consistent with the respective Client's investment strategy and objective, including, without limitation:

<ul style="list-style-type: none"> <li>• Commercial Mortgage-Backed Securities (“CMBS”)</li> </ul>	<ul style="list-style-type: none"> <li>• Whole Loans</li> </ul>
<ul style="list-style-type: none"> <li>• Commercial Real Estate Corporate Debt and Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Mezzanine Loans</li> </ul>
<ul style="list-style-type: none"> <li>• Commercial Real Estate Mortgage Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisitions of Real Property</li> </ul>
<ul style="list-style-type: none"> <li>• Recapitalization and Restructuring of Real Estate Property</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Performing Loans</li> </ul>

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 governing documents of such Clients.

Without prior consultation with Clients, the Apollo Real Estate Managers will provide investment management services to additional private pooled investment vehicles that are offered to investors on a private placement basis. In connection with providing investment management services, the Apollo Real Estate Managers are appointed as investment advisers with discretionary trading authorization for the investment vehicles. Clients may also be solicited to invest in one or more Apollo Funds.

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, governing documents, and/or investment guidelines.

The investments of the Apollo Real Estate Funds may be subject to diversification and geographic limitations as set forth in the governing documents of the Apollo Real Estate Funds. Further, the Apollo Real Estate Managers enter into side letters with certain limited partners of the Apollo Real Estate Funds that impose further restrictions on investing in certain types of securities, countries, geographies or businesses with respect to such limited partners.

***The information provided above about the investment advisory services provided by the Apollo Real Estate Funds is qualified in its entirety by reference to the relevant Client governing documents and offering materials.***

As of December 31, 2014, AGREM manages \$7,592,876,047.61 on a discretionary basis and \$33,585,064.87 on a non-discretionary basis.

## ITEM 5

### Fees and Compensation

## **Management Fees**

The Apollo Real Estate Managers and their affiliates receive management fees from Clients. The specific payment terms and other conditions of the management fee available to the Apollo Real Estate Managers (other than ARI) are set forth in the relevant governing documents and described in the private placement memoranda or the Management Agreement, as applicable.

## **Performance Fees**

The Apollo Real Estate Managers and their affiliates also may receive performance-based compensation (*e.g.*, carried interest). The specific payment terms and other conditions of the carried interest compensation available to the Apollo Real Estate Managers are also set forth in the relevant private placement memoranda and other governing documents. Each affiliate of the Apollo Real Estate Managers that serves as a general partner of an Apollo Real Estate Fund generally is entitled to receive the performance-based compensation from the relevant fund. All performance-based compensation payable to the general partners (or investment managers) of the Apollo Real Estate Funds will be consistent with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder.

Generally, performance-based compensation payable to the applicable general partner or Apollo Real Estate Manager is payable quarterly, annually or more frequently in arrears on a deal by deal basis.

## **Apollo Real Estate Funds**

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 strategic partnerships, managed accounts and limited partners or shareholders in certain limited circumstances. 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 governing documents of ARI.

The limited partnership agreements of the Apollo Real Estate Funds generally provide that the general partner may allocate capital from the capital accounts of limited partners to pay management fees and performance-based fees to the applicable Apollo Real Estate Manager and/or the general partner of the fund. 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 applicable general partner and/or the applicable Apollo Real Estate Manager generally may have the unilateral discretion to waive or modify the application of certain provisions of the governing documents for an Apollo Real Estate Fund with respect to an investor (including those related to fees, performance allocations, transparency, and withdrawals) without obtaining the consent of any other investor. The applicable general partner and Apollo Real Estate Manager generally waive all management fees and performance-based compensation charged to parallel

investment vehicles formed for the benefit of Apollo principals and employees of the Apollo Real Estate Managers and their affiliates, as well as for their family members.

### **Expenses Charged to Clients**

*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, and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, travel (which may include expenses for the use of private aircraft, first class or business class travel), accommodation, meal and other similar fees, costs and expenses (collectively, the “Organizational Expenses”). Not all Clients will have the same fees, costs and expenses, however. Clients may 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 of the direct or indirect fees, costs, expenses and other liabilities or obligations resulting from or arising in connection with its operations (collectively, the “Operating Expenses”). The Operating Expenses of a particular Client are set forth in its governing documents and may include, without limitation, the following fees, costs, and expenses related to or arising from:

- (i) the discovery, evaluation, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of portfolio investments, which includes:
  - 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 expenses related to closing, execution and transaction costs
  - broken deal costs,
  - custodial, trustee, transfer agent, recordkeeping and other administrative fees costs and expenses;

- (ii) services rendered to or in connection with financing provided to issuers of securities (such as arranger, brokerage, placement, syndication, solicitation or underwriting, agency, origination, sourcing, structuring, collateral management or other fees, discounts, spreads, commissions and concessions) paid (1) to (x) any service provider affiliated with AGM, certain Clients and/or their portfolio companies who provide services to Clients and/or their portfolio companies, as well as third parties (each, an “Affiliated Service Provider”) or (y) another person with respect to services rendered by such Affiliated Service Provider or (2) by any portfolio company or issuer of any securities that constitute a portfolio investment in respect of which a Client does not have control;
- (iii) any investments and/or securities that are managed by the general partner or manager of such Client or any of their respective affiliates (including an investment in another Client) that are acquired by such Client (including management fees, operating expenses, incentive allocation and/or carried interest) earned by any such person or that are otherwise borne by such investments and/or securities;
- (iv) any credit facility, guarantee, letter of credit or similar credit support or one or more other similar financing transactions involving any portfolio investment, including any interest arising out of such borrowings and indebtedness;
- (v) the evaluation of potential portfolio investments (irrespective of whether any such investment is ultimately consummated), (including any broken-deal expenses and reverse break-up fees);
- (vi) 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);
- (vii) risk management assessments and analysis of such Client’s assets;
- (viii) any other expenses of investments that are not consummated, which may include certain advisory, transaction, closing, consulting and other similar fees paid to the manager of such Client or such manager’s affiliates and other persons;
- (ix) any travel-related expenses related to or arising from the discovery, evaluation, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of portfolio companies, including potential companies (which may include travel expenses for the use of private aircraft, first class or business class travel);
- (x) taxes and other governmental charges incurred or payable by such Client;
- (xi) the services of actuaries, accountants, advisers, auditors, administrators, brokers (including prime brokers), counsel, custodians, 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;

- (xii) the services 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 investments or to issuers of securities;
- (xiii) 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);
- (xiv) 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);
- (xv) 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;
- (xvi) 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”));
- (xvii) 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);
- (xviii) the holding any meetings of the Client, including the Client’s investors, the Client’s advisory board, the Client’s board of directors or conflicts review agent (including expenses for airfare, accommodations, meals, events, entertainment, and other similar fees, costs and expenses in connection with any such meeting);

- (xix) 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);
- (xx) compliance with any applicable law, rule or directive (including the European Union Alternative Investment Fund Manager Directive ("AIFMD") or any other regulatory requirement (including regulatory filings, "blue sky" filings and related out-of-pocket or other expenses of such Client, its general partner or similar person and/or investment advisor, including, but not limited to, Form PF filings and any compliance or filings related to such law, regulation or directive) and expenses related to or in connection with any governmental inquiry, investigation, or proceeding involving such Client (including the amount of any judgments, settlements, or fines paid in connection therewith), which includes legal fees, costs and expenses;
- (xxi) a default by a defaulting investor of such Client (but only to the extent not paid by the defaulting investor);
- (xxii) 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);
- (xxiii) any amendments, modifications, revisions or restatements to the governing documents of the Client or its general partner or similar person and/or investment advisor;
- (xxiv) distributions to investors;
- (xxv) 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 an investment;
- (xxvi) administering and operating such Client, preparing and maintaining the books and records of such Client, including internal costs that the manager of such Client may incur to produce such Client's official books and records, external costs in cases where the manager hires a third-party administrator to maintain such Client's official books and records and any costs of the manager to oversee and manage such third-party administrator and any special purpose vehicles, including fees and expenses incurred in the organization of special purpose vehicles;
- (xxvii) the dissolution, winding-up and termination of such Client;

- (xxviii) such Client's feeder funds and subsidiary entities; and
- (xxix) such Client's investors that are feeder funds or conduit vehicles that are (A) formed for the purpose of investing in the Client, and (B) not affiliates of the Apollo Real Estate Managers.

The foregoing categories of fees, costs, expenses and other liabilities shall be Organizational Expenses and Operating Expenses, respectively, 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 associated with the Client (such as the general partner (or similar person) of such Client, its investment advisor or any of their respective affiliates) or is a third party. Any person associated with the Client is entitled to reimbursement from such Client or its portfolio investment for any Operating Expenses or Organizational Expenses paid and/or incurred by them on behalf of such Client. Apollo Real Estate Managers have discretion to seek reimbursement for Organizational Expenses and Operating Expenses and may choose not to seek reimbursement from certain Clients. 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 the on-site arrangement.

All fees, costs and expenses incurred by Apollo Manager employees for travel, accommodations, meals, events, entertainment and other similar fees, costs and expenses are subject to AGM's Travel & Expense Reimbursement Policies and Procedures.

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 discount their legal fees 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 or at a premium. Legal fees for transactions that are not consummated are also typically charged at a discount.

*Allocation of Expenses.* The Apollo Real Estate Managers and their affiliates 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 equitable under the circumstances. Apollo Real Estate Managers endeavor to allocate such fees, costs and expenses on a fair and equitable basis over time. See also "Terms of Co-Investments" in Item 6 below. In addition to the foregoing, with respect to Apollo's group professional liability insurance policy, approximately 90% of the premiums are currently allocated among all Clients covered by the policy, while the remaining portion is borne by Apollo. 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 Investment Consulting, LLC* (“Apollo Consulting”). As mentioned in “Operating Expenses” above, Clients 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 and may employ (including on a retainer basis) 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).

Clients for which Apollo Consulting or its employees or contractors provides services will typically pay or otherwise bear 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 addition, to the extent these consultants serve as a board member of a portfolio company, these consultants may receive multiple sources of compensation, including from both a Client and directly from a Client’s portfolio company for specific services provided with respect to that company (for example, fees received for serving as a director or trustee of the company). Consultants are entitled to retain those sources of compensation, and such compensation does not generally reduce the fees paid by a Client to Apollo Managers.

*Sales Charges.* The Apollo Real Estate Managers have, and may in the future, 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. In these cases, the applicable Apollo Real Estate Manager may elect to reduce its management fee to the extent of any placement fees borne by the Apollo Real Estate Fund as contemplated by the governing documents of the relevant Apollo Real Estate Fund. Alternatively, the sales charge may be deducted from the subscription and will not be treated as part of the investor’s capital contribution to the Apollo Real Estate Fund. See “Organizational Expenses” in Item 5 for further details.

### **Special Fees and Management Fee Offsets**

The Apollo Real Estate Managers or their affiliates may receive consulting or management consulting fees, investment banking fees, advisory fees, breakup fees, directors’ fees, closing fees, transaction fees related to its or their negotiation of the acquisition and financing of portfolio investments, and similar fees (including interest, commitment fees or other fees received in connection with a bridge financing), whether in cash or in kind, including options, warrants and other non-cash consideration, in connection with certain Clients’ respective actual or contemplated investments (collectively, “Special Fees”). Depending on the governing documents of a Client, Special Fees generated in connection with a given portfolio investment may be applied (up to 100%) to reduce the management fees payable by the Client(s) that participated in that investment.

For purposes of determining the reduction for any given Client with respect to a given investment, Special Fees (if any) are allocated *pro rata* among the participating Clients and any Co-Investors (including funds, separate accounts or Co-Investors managed, advised, sourced or placed by the Apollo Real Estate Managers or one or more of their affiliates) based on their respective proposed commitments to or shares of the capital provided for that investment (or, if the investment is not made, that would have been provided).

For any portion of Special Fees that is allocated to an underlying investor of a participating Client that does not bear a management fee (or any portion that is allocated to a Co-Investor that does not bear a management fee), such portion will not be applied to reduce the management fees payable by such Client (or Co-Investor).

Certain Clients' applicable governing documents, however, do not contemplate the allocation of Special Fees as described above. Apollo may elect to give such Clients the benefit of a 100% offset. In such a case, certain management fee-bearing Clients and/or Co-Investors (or the management fee-bearing investors in a Client) will not be allocated more than their *pro rata* portion, as applicable.

The following generally do not constitute Special Fees (and are, therefore, generally not applied to offset management fees):

- (i). fees that comprise or constitute Operating Expenses as described above;
- (ii). salary, fees or other compensation of any nature paid by a portfolio company to any individual (or to such Client's investment adviser or one of its affiliates with respect to such individual) who acts as an officer of or in an active management role at, such portfolio company (including industry executives, advisors, consultants, operating executives, subject matter experts or other persons acting in a similar capacity engaged by Apollo Consulting but excluding investment professionals employed by Apollo primarily engaged in the investment activities of Clients);
- (iii). any fees, costs or expenses paid to Apollo Consulting;
- (iv). certain fees, costs and expenses, which may include arranger, brokerage, placement, syndication, solicitation, or underwriting, agency, origination, commitment, facility, float, sourcing, structuring, collateral management or other fees, but not transaction fees for transaction advisory services paid (1) to (x) any Affiliated Service Provider for services rendered to, or in connection with, financing provided to issuers of securities, or (y) another person or entity with respect to services rendered by such Affiliated Service Provider (such services are discussed in Item 10 below), or (2) by any portfolio company or issuer of any securities that constitute a portfolio investment in respect of which a Client does not have control;
- (v). any origination fees, commitment fees, collateral management fees, facility fees or float fees or similar fees;
- (vi). amounts earned by or for the account of any other Apollo Client (directly or indirectly through an expense offset mechanism); and

- (vii). any fees, costs, expenses or other amounts or compensation earned by any person or entity in respect of investments and/or securities of persons that are managed by the Apollo Real Estate Managers or any of their affiliates.

Generally, certain Special Fees may be paid to an Affiliated Service Provider, including Apollo Global Securities, LLC; however, as described above, Affiliated Service Providers may also receive fees that do not constitute Special Fees and, therefore, not all fees received by any such Affiliated Service Provider will be applied to reduce management fees payable by Clients that participated in the investment.

## **ITEM 6**

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

As discussed in Item 5 above, the Apollo Real Estate Managers and their affiliates often receive performance-based compensation (e.g., carried interest), management fees and other fees from Clients. Generally, although there are certain exceptions, each affiliate of an Apollo Real Estate Manager 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.

The receipt of performance-based compensation from 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. Performance-based compensation may also incentivize the Apollo Real Estate Managers to overvalue assets in order to increase the amount of its performance-based compensation.

Similarly, the Apollo Real Estate Managers charge management fees to Clients that vary. Different management fees incentivize Apollo Real Estate Managers to dedicate increased resources and allocate more profitable investment opportunities or best investment ideas to Clients who are charged management fees (or performance-based compensation arrangements) that are more profitable for the Apollo Real Estate Managers. Further, the Apollo Real Estate Managers are incentivized to allocate investment opportunities 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.

The Apollo Real Estate Managers have adopted and implemented policies and procedures described below to mitigate those conflicts of interest relating to the management of multiple Clients with varying types of fee arrangements.

### **Investment Allocations**

*Allocation Among Clients.* The Apollo Real Estate Managers are committed to allocating investment opportunities among their Clients in a manner that, over time, is on a fair and equitable basis and has established detailed policies and procedures to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that an Apollo Real Estate Manager will allocate investment opportunities to Clients in a self-interested manner.

The Allocation Policies and Procedures have established:

- (i) the AGM Allocations Committee to, among other things: (A) review any opportunities involving potential third-party co-investors and any opportunities involving a multi-strategy managed account; (B) review the actions taken by sub-committees and conflicts of interest that cannot be resolved by sub-committees; and (C) review such conflicts that cannot be resolved by portfolio managers;
- (ii) the allocations sub-committees to (A) review and approve proposed allocations of investment opportunities among Apollo business units; and (B) review the allocation of opportunities to Apollo Funds; and
- (iii) 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 relevant investment 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 generally be allocated *pro rata* based on the size of each Client's original investment interest 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:

- (i) the relative actual or potential exposure of any particular Client to the type of investment opportunity in terms of its existing investment portfolio;
- (ii) the investment objective of such Client;
- (iii) 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);
- (iv) the likelihood of current income;
- (v) the size, liquidity and duration of the investment opportunity;
- (vi) the seniority of loan and other capital structure criteria;
- (vii) 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;
- (viii) tax reasons;
- (ix) regulatory reasons;

- (x) supply or demand for an investment opportunity at a given price level;
- (xi) 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);
- (xii) whether the investment opportunity is a follow-on investment;
- (xiii) 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
- (xiv) 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 relevant investment committee, the AGM Allocations Committee or an allocations sub-committee, as appropriate, 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 Client 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 AAM and other Apollo Managers invest in the same strategies for different Clients.

*Allocation of Co-Investment Opportunities.* The Apollo Real Estate Managers or their affiliates, in their discretion, offer opportunities to co-invest alongside one or more Clients to Co-Investors when a particular investment opportunity exceeds the aggregate allocation to Clients in light of the considerations described above, or for Strategic Co-Investors. Such co-investments may be structured through Co-Investment Vehicles organized to facilitate such investments or for legal, tax, regulatory or other purposes.

The Apollo Real Estate Managers and their affiliates 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, timing and any contemplated minimum commitment threshold);
- (iii) the level of demand for participation in such co-investment opportunity;
- (iv) (iv) the ability of a prospective Co-Investor to analyze or consummate a potential co-investment opportunity on an expedited basis; and
- (v) as noted above, whether a prospective Co-Investor is also a Strategic Co-Investor.

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).

*Co-Investment Policy.* The Apollo Real Estate Managers will be under no obligation to provide co-investment opportunities and may offer a co-investment opportunity to one or more of the categories of Co-Investors described above without offering such opportunity to the other categories. Co-investments will generally be made, at the investment level, on economic terms substantially no more favorable to Co-Investors than those on which the Client invests and any such co-investment generally will be sold or otherwise disposed of at substantially the same time (and in the case of a partial disposition, in substantially the same proportion) as the Client's disposition of its interest in such investment and on economic terms at the investment level substantially no more favorable to such Co-Investors than to the Client.

*Terms of Co-Investments.* The Apollo Real Estate Managers or any of their affiliates may (or may not) in their discretion: (i) receive performance-based compensation, management fees or other similar fees from 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 performance-based compensation, 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.

In the event that Co-Investors participate in a co-investment through one or more Co-Investment Vehicles, they will generally also bear their *pro rata* share of the aggregate organizational costs and expenses of all such vehicles. In those circumstances where such Co-Investors include one or more members of a portfolio company's management group, such Co-Investors may receive compensation arrangements relating to the investment, including incentive compensation arrangements. 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 their respective 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 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 its Clients, regardless of whether any sell-down ultimately occurs. None of the Apollo Real Estate Managers or 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.

## **Investment Valuation and Realization**

The existence of the performance-based compensation and varying levels of management fees creates a potential conflict of interest in valuing investments and there will 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 improve a Client's track record; (ii) minimize losses from investments that have experienced a permanent impairment that must be returned prior to an affiliate receiving a carried interest; or (iii) for certain Clients, employ valuation methodologies that 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 the following policies to address these potential conflicts.

*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.

Except as described below, Apollo Real Estate Managers seeks to comply with GAAP and apply Accounting Standards Codification 820 ("ASC 820") and other relevant Financial Accounting Standards Board ("FASB") statements and guidance to the valuation of its Clients' assets and liabilities. Financial reporting that is compliant with GAAP is required to follow the requirements for valuation set forth in ASC 820, "Fair Value Measurements and Disclosures", which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. 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.

Generally, GAAP is applied when such fair value determinations are made, except as otherwise set forth in a Client's applicable governing documents. For example, 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 those cases, 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).

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 an Apollo Real Estate Fund 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 governing documents generally will disclose the applicable valuation methodology.

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 its 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).

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.

*Timing of Investment Realization.* Distributions to the partners in the Apollo Real Estate Funds are generally calculated in a "deal-by-deal" waterfall and the general partner will not receive carried interest until the limited partners receive distributions equal to their share of write-downs not taken into account in prior distributions. This creates an incentive for the general partner and 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 is incentivized to employ valuation methodologies that may give rise to a higher valuation of such assets. The Apollo Real Estate Managers have adopted written valuation policies and procedures intended to address potential conflicts of interests that arise in respect of the valuation of its Clients' assets.

Carried interest distributions to the general partner or similar person of an Apollo Real Estate Fund 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 between 80 and 100 percent of distributions until such time as it receives 20 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.

To mitigate this conflict, 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 an Apollo Real Estate Fund.

In addition, the Apollo Real Estate Managers are 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 is 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.

The management fees that the Apollo Real Estate Managers receive for services provided to certain Apollo Real Estate Funds are based on capital contributions as opposed to capital commitments. Because the Apollo Real Estate Managers will not receive management fees from such Apollo Real Estate Funds until capital is drawn, there is an incentive for the Apollo Real Estate Managers to invest such funds’ capital earlier than they would have if management fees were based on capital commitments.

*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 down and the final distribution of proceeds to investors will occur.

Subject to the governing documents of each Client, a Client may distribute interests or shares in a special purpose vehicle or liquidating trust, series, or other entity to an investor to hold portfolio investments that may not be suitable for in-kind distribution. Pending the disposition of portfolio investments from such trust, series, entity or vehicle, the shares or interests received by the investor may be subject to asset-based or performance-based fees and other expenses.

Since assets distributed in kind are typically illiquid in nature, the potential conflicts of interest described under “Valuation of Client Assets” will 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 would 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.

## **ITEM 7**

### **Types of Clients**

The Apollo Real Estate Managers generally provide investment advice to pooled investment vehicles (including their parallel funds and the alternative investment vehicles, feeder funds, and special purpose vehicles of any of them).

Conditions for investing in each of the Apollo Real Estate Funds, such as the minimum investment amount, are stated in each Apollo Real Estate Fund’s respective offering documents. The offering documents note that the general partner of each Apollo Real Estate Fund other than ARI has discretion to reduce or waive the minimum investment amounts.

Generally, investors participating in Clients (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 Client. ARI is a publicly traded real estate investment trust and does not have suitability or net worth qualifications for investors.

## **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, limited partnership

agreement, or other governing documents. There can be no assurance that the investment objectives of any Client will be achieved.

## **Methods of Analysis**

The Apollo Real Estate Managers perform significant research into each prospective investment and disposition. Such research generally includes, among other things, a review of the company's financial statements, comparisons with similar public and private companies, and analyzing relevant industry data (such as information on customers and suppliers). In conducting such research, the Apollo Real Estate Managers consult the following sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, and any other material the Apollo Real Estate Managers deem relevant. The Apollo Real Estate Managers 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."

Participation in Clients is only suitable for investors who have knowledge and expertise in financial and business matters and are capable of evaluating the merits and risks of an investment in a Client. The acquisition of limited partnership interests in an Apollo Real Estate Fund and the investments made by the Apollo Real Estate Funds and other Clients are highly speculative and may involve the risk of total loss of an investor's capital commitment.

## **Investment Strategies:**

Each Apollo Real Estate Fund's investment strategy is outlined in its private placement memorandum. The Apollo Real Estate Managers objective is to achieve attractive risk-adjusted returns across all economic cycles. On a firm-wide basis, Apollo's investment approach is value-oriented, focusing on industries in which it has considerable knowledge and emphasizing downside protection and the preservation of capital. Clients principally seek to make control-oriented investments in undervalued franchise assets with a significant emphasis on proprietary private equity investments. The Apollo Real Estate Managers develop investment strategies based upon the following distinguishing characteristics of Apollo's firm-wide business:

- (i) *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.
- (ii) *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.

- (iii) *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.
- (iv) *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.
- (v) *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.
- (vi) *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 specific risks associated with a Client's investment strategy are described in each Client's private placement memorandum, subscription agreement, or risk disclosure statement. However, the following risk factors are those that generally may be applicable to the Apollo Real Estate Managers' Clients.

**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 U.S. and non-U.S. 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the “CFTC”) and the SEC and the Consumer Financial Protection Bureau (the “CFPB”) broad rulemaking authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives markets. These expanded powers have resulted in rules that could adversely affect Clients or investments made by Clients.

In addition, certain Clients 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. The AIFMD is also likely to be implemented in the countries which form part of the European Economic Area (the “EEA”). Since July 2013, the AIFMD has restricted the extent to which Apollo Real Estate Funds can be marketed to potential investors in the EEA. The AIFMD imposes significant new regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EEA in which interests are marketed within the EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting regarding including, among other items, the risk and portfolio profile of each Apollo Real Estate Fund which is marketed in that regulator’s jurisdiction. Additional requirements and restrictions apply where Apollo Real Estate Funds invest in an EEA portfolio company, including restrictions that may impose limits on certain investment and realization strategies, such as dividend recapitalizations and reorganizations. Such rules could potentially impose significant additional costs on the operation of Apollo’s business or investments in the EEA and could limit Apollo’s operating flexibility within the relevant jurisdictions. In some countries, additional obligations are imposed. For example, in Germany and Denmark, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). Depending on the activities of each Apollo Real Estate Fund, additional restrictions on investment activities may also apply if they are to be marketed to EEA investors. Accessing EEA investors may be more difficult during this period and Client costs may increase to reflect the additional burdens. From no earlier than the second half of 2015, the Apollo Real Estate Managers may be permitted to voluntarily seek authorization under, and comply with the more detailed requirements of, AIFMD. If Apollo registers a manager under the AIFMD, Apollo will have more freedom to promote relevant funds in the EEA, although this will be subject to full compliance with all the requirements of the AIFMD, which include (among other things) satisfying the competent

authority of the robustness of internal arrangements with respect to risk management, in particular liquidity risks and additional operational and counterparty risks associated with short selling; the management and disclosure of conflicts of interest; the fair valuation of assets; remuneration of staff, the capital base of the manager and the security of depository/custodial arrangements.

**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 Investing.** 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 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 to pay the Client's equity investment and a return on such investment, or to pay interest and principal due to the Client or a lender. Revenues and cash flows may be adversely affected by:

- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- government regulation including taking or condemnation losses and limitations on rent, such as rent control and rent stabilization;
- competition from other properties and changes in the supply and demand for competing properties in the area;
- fluctuations in building occupancy and the financial resources of tenants;

- changes in interest rates and in the state of the debt and equity credit markets, particularly the availability of debt financing which may render the sale or refinancing of properties difficult or impracticable;
- 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, floods, fires 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.

**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. 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;
- delays in obtaining, or the inability to obtain zoning, occupancy and other required government permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods fires and other natural disasters that could adversely impact a project;
- ability to raise capital;
- inability to rent space in, or sell units in, newly developed projects;
- inability to repay construction or land loans at maturity;
- liability under completion, operating, deficiency or other guarantees which may

be issued to the Client; 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 the value of, and return on, a Limited Partner's investment.

**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.** Each Client may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. 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, in certain instances, borrow and utilize various other forms of leverage, and 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, to the extent they invest in debt instruments, 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 such that the Client would be equitably subordinated.

**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.

**Cyber-Security Risk.** The increasing reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems security and subsequent unauthorized access to sensitive transactional and personal information. Data taken in breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect the value of assets in which Clients invest. Cyber-security breaches at Apollo or its vendors and service providers may also lead to theft, data corruption, or overall disruption in operational systems. These threats may also indirectly affect Clients through cyber incidents with third party service providers or counterparties. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cyber-security risks also result in ongoing prevention and compliance costs.

## **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**

#### **Apollo Global Securities, LLC (“AGS”)**

*Affiliated Broker Dealer.* 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's private placement services include placement of Apollo Funds and syndicating transactions for portfolio companies. Any engagement of AGS's 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. AGS's underwriting services are typically provided to Apollo Client's portfolio companies. Fees received by AGS in connection with these services are disclosed in the corresponding prospectus or private placement memorandum. Generally, AGS's 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. A portion of these transaction fees may be applied to reduce management fees of certain investors in certain Apollo Clients, as described in Item 4 above.

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 also will 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 by 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's 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's 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 also may 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.**

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 the Euronext in Amsterdam, 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) in Athene Holding. In accordance with the services agreement among AAA, AAA Investments, certain subsidiaries of AAA Investments and Apollo ("AAA Services Agreement"), affiliates of AGREM receive a management fee for managing the assets of AAA Investments. The management fee was paid through December 31, 2014 and was waived for the balance of the term of the AAA Services Agreement, although services will continue through December 31, 2020. Under certain circumstances, including in the event that AAA makes a tender offer to all of its qualified unitholders, Apollo Capital Management may be entitled to additional fees.

AAA Investments' initial \$400 million investment in Athene Holding 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). Carried interest from AAA Investments is paid in shares of Athene Holding (at fair market value) if there is a distribution in kind of shares of Athene Holding (unless such payment in shares would violate

Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended), or paid in cash if AAA sells the shares of Athene Holding.

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).

The Apollo Real Estate Managers affiliation with AAA and AAA Investments is subject to the conflicts of interest set forth below in this Item 10.

### **Affiliated Apollo Managers**

**1. Private Equity** – Apollo Management, L.P. is an affiliate of AGREM that is primarily engaged in managing Apollo’s private equity business and controls the private equity managers as set forth in the table below (collectively, with Apollo Management, L.P., the “Apollo Private Equity Managers”). The Apollo Private Equity Managers generally seek to make investments through several strategies including traditional buyouts, distressed buyouts and debt investments, and corporate partner buyouts. In addition to the traditional, distressed and corporate partner buyout activities, the Apollo Private Equity Managers also maintain the flexibility to deploy capital of our private equity funds in other types of investments such as the creation of new companies.

Set forth below are the Apollo Private Equity Managers, which are registered as investment advisers relying on Apollo Management, L.P.’s investment adviser registration with the SEC, and their corresponding clients:

<b>Manager</b>	<b>Client(s)</b>
Apollo Management IV, L.P.	Apollo Investment Fund IV, L.P. and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing
Apollo Management V, L.P.	Apollo Investment Fund V, L.P. and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing
Apollo Management VI, L.P.	Apollo Investment Fund VI, L.P. and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing
Apollo Management VII, L.P.	Apollo Investment Fund VII, L.P. and its parallel funds and the alternative investment vehicles, feeder funds and special purpose vehicles of any of the foregoing
Apollo Management VIII, L.P.	Apollo Investment Fund VIII, L.P. and its parallel funds and the alternative investment

Manager	Client(s)
	vehicles, feeder funds and special purpose vehicles of any of the foregoing
LeverageSource Management, LLC	LeverageSource V S.a.r.l. LeverageSource XI S.a.r.l. LeverageSource Holdings Series III (Lux) S.a.r.l.
Apollo Co-Investment Management, LLC	Various co-invest vehicles
Apollo Management Singapore Pte. Ltd.	AIF VII Singapore Pte. Ltd. AION Investments Singapore Private Limited Apollo Asia Private Credit Master Fund Pte. Ltd. Apollo Credit Singapore Pte. Ltd.

**2. Natural Resources** – Apollo Commodities Management, L.P. is an affiliate of AGREM that is primarily engaged in managing Apollo’s natural resources business and controls the natural resources managers as set forth in the table below (collectively, with Apollo Commodities Management, L.P., the “Apollo Commodities Managers”). The Apollo Commodities Managers capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors.

Set forth below are the Apollo Commodities Managers, which are registered as investment advisers relying on Apollo Commodities Management, L.P.’s investment adviser registration with the SEC, and their corresponding clients:

Manager	Client(s)
Apollo Royalties Management, LLC	Managed Account that invests in oil and gas royalty interests across North America.
Apollo Commodities Management, L.P. with respect to Series I	Apollo Natural Resources Partners, L.P.
Apollo Commodities Management, L.P. with respect to Series IV	Apollo Natural Resources Partners II, L.P.

**3. Credit** – Apollo Capital Management is an affiliate of AGREM that is primarily engaged in managing Apollo’s credit business and controls the credit managers as set forth in the tables below (collectively, with Apollo Capital Management, the “Apollo Credit Managers”), which generally serve as investment and collateral managers to the Apollo Credit Funds (as defined below). Unless otherwise stated, the Apollo Credit Managers are registered with the SEC as investment advisers relying on Apollo Capital Management’s investment adviser registration with the SEC pursuant to the ABA No-Action Letter.

- i. **U.S. Performing Credit** – The U.S. performing credit group includes funds and strategic investment accounts (“SIAs”) that primarily focus on income-oriented, senior loan and bond investment strategies. The U.S. performing credit group also includes collateralized loan obligations (“CLOs”) that the Firm raises and manages internally.

Set forth below are the U.S. Performing Credit managers and corresponding clients:

<b>Manager</b>	<b>Client(s)</b>
Apollo Credit Income Management LLC	Apollo Credit Income Master Fund LP Apollo Credit Income Fund LP Apollo Credit Income Offshore Fund Ltd
Apollo Credit Liquidity Management, L.P.	Apollo Credit Liquidity Fund, L.P. (“ <u>CLF</u> ”)
Apollo Credit Management (Senior Loans) II, LLC	Apollo AF Loan Trust 2012
Apollo Credit Management (Senior Loans), LLC	Apollo/Palmetto Loan Portfolio, L.P. Apollo/Palmetto Short-Maturity Loan Portfolio, L.P. Apollo Credit Senior Loan Fund, L.P.
Apollo Credit Management, LLC	Apollo Senior Floating Rate Fund Inc. (“ <u>AFT</u> ”) Apollo Tactical Income Fund Inc. (“ <u>AIF</u> ”)
Apollo Credit Opportunity Management, LLC	Apollo Credit Opportunity Fund I, L.P. Apollo Credit Opportunity Fund II, L.P.
Apollo ST Debt Advisors LLC	Cornerstone CLO Ltd. Granite Ventures II Ltd. Granite Ventures III Ltd. Stone Tower CLO II Ltd. Stone Tower CLO III Ltd. Stone Tower CLO IV Ltd. Stone Tower CLO V Ltd. Stone Tower CLO VI Ltd. Stone Tower CLO VII Ltd. Stone Tower CLO VIII Ltd. Rampart CLO 2006-1 Ltd. Rampart CLO 2007-1 Ltd.
Apollo ST Fund Management LLC	Apollo Credit Master Fund Ltd. Apollo Credit Fund LP Apollo Offshore Credit Fund Ltd. Apollo Credit Funding I Ltd. Apollo Credit Funding III Ltd. Apollo Credit Funding IV Ltd.
Gulf Stream Asset Management, LLC	Gulf Stream Compass CLO 2002-1 Gulf Stream Compass CLO 2003-1 Gulf Stream Compass CLO 2004-1 Gulf Stream Compass CLO 2005-1 Gulf Stream Compass CLO 2005-II Gulf Stream Sextant CLO 2006-1 Gulf Stream Rashinban CLO 2006-1 Gulf Stream Sextant CLO 2007-1 Gulf Stream Compass CLO 2007-1 Neptune Finance CCS

- ii. **Opportunistic Credit** - The opportunistic credit group primarily focuses on credit investment strategies that are often less liquid in nature and that utilize a similar value-oriented investment philosophy as our private equity business. The opportunistic credit funds and SIAs invest in a broad array of primary and secondary opportunities encompassing performing, stressed and distressed public and private securities primarily within corporate credit, including senior loans, high yield, mezzanine, debtor in possession financings, rescue or bridge financings, and other debt investments. Additionally, certain opportunistic credit funds will selectively invest in aircraft, energy and structured credit investment opportunities. In certain cases, leverage can be employed in connection with these strategies by having fund subsidiaries or special-purpose vehicles incur debt or by entering into credit facilities or other debt transactions to finance the acquisition of various credit investments.

Set forth below are the Opportunistic Credit managers and corresponding clients:

<b>Manager</b>	<b>Client(s)</b>
Apollo Alternative Credit Absolute Return Management LLC	Apollo Alternative Credit Absolute Return Fund L.P.
Apollo Alternative Credit Long Short Management LLC	Apollo Alternative Credit Long Short Fund L.P.
Apollo Incubator Management, LLC	Apollo Capital Spectrum Fund, L.P.
Apollo Credit Opportunity Management III LLC	Apollo Credit Opportunity Fund III LP Apollo Credit Opportunity Fund (Offshore) III LP Apollo Credit Opportunity Trading Fund III
Apollo Credit Short Opportunities Management, LLC	Apollo Credit Short Opportunities Master Fund, L.P. Apollo Credit Short Opportunities Fund (Onshore), L.P. Apollo Credit Short Opportunities Fund (Offshore), Ltd.
Apollo Energy Opportunity Management LLC	Apollo Energy Opportunity Fund LP Apollo Offshore Energy Opportunity Fund Ltd.
Apollo Energy Yield Management LLC	Apollo Energy Yield Fund LP Apollo Offshore Energy Yield Fund Ltd. Apollo Energy Yield Master Fund LP (collectively, the “ <u>Apollo Energy Yield Fund</u> ”)
Apollo HK TMS Investment Holdings Management, LLC	Apollo HK TMS Investment Holdings, L.P.
Apollo Investment Management, L.P.	Apollo Investment Corporation (“ <u>AIC</u> ”)
Apollo ST Fund Management LLC	Apollo Credit Strategies Master Fund Ltd. Apollo Credit Strategies Fund LP Apollo Offshore Credit Strategies Fund Ltd.

Manager	Client(s)
	Apollo Credit Funding I Ltd. Apollo Credit Funding III Ltd.
Apollo SVF Management, L.P.	Apollo Strategic Value Master Fund, L.P. Apollo Strategic Value Fund, L.P. Apollo Strategic Value Offshore, Ltd. Apollo Special Opportunities Managed Account, L.P. Permal Apollo Value Investment Fund, Ltd.
Apollo Total Return Management LLC	Apollo Total Return Master Fund LP Apollo Total Return Fund (Onshore) LP Apollo Total Return Fund (Offshore) Ltd. Apollo Total Return Fund (Exempt) LP (collectively, the “ <u>Apollo Total Return Fund</u> ”).
Apollo Total Return Enhanced Management LLC	Apollo Total Return Fund Enhanced (Onshore) LP Apollo Total Return Fund Enhanced (Offshore) Ltd.
Apollo Value Management, L.P.	Apollo Value Investment Master Fund, L.P. Apollo Value Investment Fund, L.P. Apollo Value Investment Offshore Fund, Ltd.
AION Capital Management Limited	AION Capital Partners Limited
AION India Investment Advisors Private Limited	Sub-advisor to AION Capital Management Limited.
Apollo APC Management, L.P.	Apollo Asia Private Credit Fund, L.P.
Apollo Asia Management, L.P.	Apollo Asia Opportunity Master Fund, L.P. Apollo Asia Opportunity Fund, L.P. Apollo Asia Opportunity Offshore Fund, Ltd
Apollo India Credit Opportunity Management, LLC	Wholly owns AION Capital Management Limited.

- iii. **Structured Credit** – The structured credit funds and SIAs primarily focus on structured credit investment strategies that target multiple tranches of structured securities with what are generally favorable and protective lending terms, predictable payment schedules, well diversified portfolios, and low historical defaults, among other characteristics. These strategies include investments in externally managed CLOs, residential mortgage-backed securities, asset-backed securities and other structured instruments, including insurance-linked securities and longevity-based products. The structured credit group also serves as substitute investment manager for a number of asset-backed collateralized debt obligations (“CDOs”) and other structured vehicles.

Set forth below are the Structured Credit managers and corresponding clients:

Manager	Client(s)
Apollo Credit Management (CLO), LLC	ALM Loan Funding 2010-1, Ltd. ALM Loan Funding 2010-2, Ltd.

Manager	Client(s)
	ALM Loan Funding 2010-3, Ltd. ALM IV, Ltd. ALM V, Ltd. ALM VI, Ltd. ALM VII, Ltd. ALM VII (R), Ltd. ALM VII (R)-2, Ltd. ALM VIII, Ltd. ALM X, Ltd. ALM XI, Ltd. ALM XII, Ltd. ALM XIV, Ltd. ALM XV, Ltd. ALM XVI, Ltd. ALM XVII, Ltd.
Apollo Emerging Markets Debt Management LLC	Apollo Emerging Markets Debt Fund LP Apollo Emerging Markets Debt Fund Ltd Apollo Emerging Markets Debt Master Fund LP
Apollo Emerging Markets, LLC	Investment manager of several contemplated managed accounts and SIAs.
Apollo Longevity, LLC	Sub-adviser to Athene Asset Management, L.P. (“ <u>AAM</u> ”) and RWN Management, LLC and provides non-discretionary investment advice to certain managed accounts
Apollo ST Debt Advisors LLC	Stone Tower CDO Ltd. Stone Tower CDO II Ltd. Stone Tower CDO III Ltd. Broderick CDO 2 Ltd. Broderick CDO 3 Ltd. Longshore CDO Funding 2007-3, Ltd. Whitehawk CDO Funding, Ltd. Witherspoon Funding, Ltd
Apollo ST Fund Management LLC	Apollo Structured Credit Recovery Master Fund II Ltd. Apollo Structured Credit Recovery Fund II L.P. Apollo Offshore Structured Credit Recovery Fund II Ltd. (collectively, (“ <u>SCRF III</u> ”))
Apollo Structured Credit Recovery Management III LLC	Apollo Structured Recovery Fund III LP Apollo Offshore Structured Credit Recovery Fund III Ltd. Apollo Structured Credit Recovery Master Fund III LP

Manager	Client(s)
	(collectively, “ <u>SCRF III</u> ”).
ARM Manager, LLC	Apollo Residential Mortgage, Inc.
Financial Credit Investment I Manager, LLC	Financial Credit Investment I, L.P.
Financial Credit Investment II Manager, LLC	Financial Credit Investment II, L.P.
Financial Credit Investment III Manager, LLC	Financial Credit Investment III, L.P.

- iv. **Non-Performing Loans** – The non-performing loan group includes funds and SIAs, that primarily invest in European commercial and residential real estate, performing and non-performing loans (“NPLs”), unsecured consumer loans and acquires assets as a result of distressed market situations. Certain of the non-performing loan investment vehicles own captive pan-European loan servicing and property management platforms.

Set forth below are the Non-Performing Loan managers and corresponding clients:

Manager	Client(s)
Apollo EPF Management, L.P.	Apollo European Principal Finance Fund, L.P. Apollo European Principal Finance Fund (Feeder), L.P.
Apollo EPF Management II, L.P.	Apollo European Principal Finance Fund II (Dollar A), L.P. Apollo European Principal Finance Fund II (Euro A), L.P. Apollo European Principal Finance Fund II (Master Dollar B), L.P. Apollo European Principal Fund II (Master Euro B), L.P.

- v. **European Credit** – The European credit group includes funds and SIAs that focus on investment strategies in a variety of credit opportunities in Europe across a company’s capital structure. The European credit accounts invest in senior secured loans and notes, mezzanine loans, subordinated notes, distressed and stressed credit and other idiosyncratic credit investments of companies established or operating in Europe, with a focus on Western Europe.

Set forth below are the European Credit managers and corresponding clients:

Manager	Client(s)
Apollo Credit Management (CLO), LLC	ALME Loan Funding 2013-1 Limited
Apollo Credit Management (Senior Loans), LLC	PPF Nominee 2 B.V.
Apollo Europe Management, L.P.	Apollo Investment Europe II, L.P. (“ <u>AIE II</u> ”)
Apollo European Credit Management, L.P.	Apollo European Credit Fund, L.P. Apollo European Credit Fund (Offshore), L.P. Apollo European Credit Master Fund, L.P.
Apollo European Long Short Management,	Apollo European Long Short Fund, L.P.

Manager	Client(s)
LLC	
Apollo European Senior Debt Management, LLC	A-A European Senior Debt Fund, L.P. A-A European Senior Debt Fund II, L.P.

- vi. **Strategic Investment Accounts** – Strategic Investment Accounts (“SIAs”) are established to facilitate investments by third-party institutional investors directly in Apollo Funds (as defined below) and other securities. SIAs may provide such investors with greater levels of transparency, liquidity and control over their investments.

Set forth below are the managers to the SIAs and their corresponding clients:

Manager	Client(s)
Apollo A-N Credit Management, LLC	Apollo A-N Credit Fund, L.P.
Apollo Arrowhead Management, LLC	Strategic Investment Account
Apollo Belenos Management, LLC	Strategic Investment Account
Apollo BSL Management, LLC	Strategic Investment Account
Apollo Capital Management, L.P.	Apollo Palmetto Strategic Partnership, L.P.
Apollo Centre Street Management, LLC	Apollo Centre Street Partnership, L.P.
Apollo Credit Management (Senior Loans) II, LLC	Apollo AF Loan Trust 2012 Strategic Investment Account
Apollo EPF Management II, L.P.	Apollo/Cavenham European Managed Account, L.P.
Apollo European Strategic Management, L.P.	Apollo European Strategic Investments (Holdings), L.P. Apollo European Strategic Investments, L.P. AESI (Holdings) II, L.P. AESI II, L.P.
Apollo Europe Management III, LLC	AP Investment Europe III, L.P. (“ <u>AIE III</u> ”)
Apollo Franklin Management, LLC	Apollo Franklin Partnership, L.P.
Apollo Hercules Management, LLC	Apollo Hercules Partners, L.P.
Apollo Lincoln Fixed Income Management, LLC	Apollo Lincoln Fixed Income Fund, L.P.
Apollo Lincoln Private Credit Management, LLC	Apollo Lincoln Private Credit Fund, L.P.
Apollo Palmetto Athene Management, LLC	Apollo Palmetto Athene Partnership, L.P.
Apollo SK Strategic Management, LLC	Apollo SK Strategic Investments, L.P.
Apollo SPN Management, LLC	Apollo SPN Investments I, L.P. Apollo SPN Investments II, L.P. Apollo SPN Investments III, L.P.
Apollo ST Debt Advisors LLC	Multiple Strategic Investment Accounts
Apollo ST Fund Management LLC	Multiple Strategic Investment Accounts
Apollo Tactical Value SPN Management, LLC	Apollo Tactical Value SPN Investments, L.P.
Apollo Union Street Management, LLC	Apollo Union Street Partners, L.P.
Apollo Zeus Strategic Management, LLC	Apollo Zeus Strategic Investments, L.P.

- vii. **Athene** – Athene Asset Management, L.P. (“**AAM**”) acts as investment adviser to certain insurance and reinsurance company subsidiaries of Athene Holding Ltd. (“**Athene Holding**”), certain reinsurance accounts related to such subsidiaries, certain insurance companies affiliated with Apollo and third party managed accounts. AAM is owned by Apollo Life Asset Ltd., a Cayman Islands exempted company, AAM GP Ltd., and certain members of AAM’s management. Apollo Life Asset Ltd. is, in turn, wholly-owned by Apollo Capital Management. AAM, either directly or through the use of sub-advisers, including certain Apollo Credit Managers and Apollo Managers (as defined in Item 10 below), invests primarily in fixed-income and alternative investments.
- viii. **Apollo Co-Investment Capital Management, LLC** – Apollo Co-Investment Capital Management, LLC is a wholly-owned subsidiary of Apollo Capital Management, L.P. that serves as the investment manager for various co-invest vehicles.

The Apollo Real Estate Managers, Apollo Private Equity Managers, Apollo Commodities Managers and Apollo Credit Managers (collectively, the “**Apollo Managers**”) intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Any employees of the Apollo Managers and any other persons acting on their behalf are and shall be subject to the supervision and control of Apollo Capital Management, L.P., Apollo Management, L.P., Apollo Commodities Management, L.P. or Apollo Global Real Estate Management, L.P., as applicable.

### **Certain Conflicts of Interests in Providing Services to Clients**

*Multiple Clients and Other Apollo Clients.* 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. In addition, 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. An Apollo Real Estate Manager or another Apollo Manager also may advise Clients with conflicting investment objectives or strategies. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients.

As part of Apollo’s integrated platform, certain management persons of the Apollo Real Estate Managers provide services to other pooled investment vehicles or investment companies sponsored by Apollo. By way of example, certain management persons of the Apollo Real Estate Managers that are involved in providing portfolio management services to Apollo Real Estate Funds have direct incentive compensation arrangements with other Apollo Funds that pay incentive fees to their general partners. Such management persons are 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 these conflicts 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 through the implementation of the investment allocation procedures described above in Item 6.

*Directors of Portfolio Companies.* Additional conflicts of interest may arise because Apollo partners, principals and employees (including personnel of the Apollo Real Estate Managers) may serve as directors of the companies in which Apollo Clients invest. In the event 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. In addition to any fiduciary duties the Apollo partners and principals owe to Apollo Clients, as directors of portfolio companies, these Apollo partners, principals and employees owe fiduciary duties to the shareholders of the portfolio companies, which in many cases are Apollo Clients, 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, because of the potential conflicting fiduciary duties that Apollo partners and principals owe to a portfolio company, on one hand, and that the Apollo Real Estate Managers owe to the Clients, on the other hand, 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, the Apollo partners and principals may make decisions for a portfolio company that negatively impact returns received by a Client investing in the portfolio company or in other investments or, conversely, an Apollo Real Estate Manager could make a decision that negatively impacts a portfolio company and the returns for other Clients that may be invested in the portfolio company. Apollo partners and principals may also make decisions for a portfolio company that result in the Apollo Real Estate Managers being restricted in choosing certain investments for Clients. For example, if an Apollo partner or principal were to obtain material nonpublic information about another potential Client investment.

*Standards of Care and Indemnification.* 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.

*Client Advisory Boards.* 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. 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.

*Information Barriers and the Restricted List.* 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 Compliance Department 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 without prior approval from the Compliance Department. 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 potentially 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.

*Investment Activity by Apollo and Affiliates.* 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.

*Capital Structure Investments.* 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 will 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 is permitted to 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.

*Insurance Coverage.* The Apollo Funds, other than the publicly traded funds managed by subsidiaries of Apollo, are covered under Apollo's professional liability insurance policy and do not separately maintain professional liability insurance. To the extent a claim arises relating to any of the insureds during a policy period that erodes some or all of the limits under Apollo's policy, there will be less coverage, or potentially no coverage, available for all of the insureds under the policy for the remainder of the policy period.

**Athene Asset Management, L.P. (f/k/a Athene Asset Management, LLC)**

AAM is affiliated with the Apollo Real Estate Managers and is controlled by Apollo. AAM's Chief Executive Officer has equity ownership interests in, and is an officer of, both AAM and Athene Holding (together, the "Athene Group"). Certain other officers and employees of AAM also hold ownership interests in Athene Holding. AAM acts as investment manager to Athene Holding and certain insurance and reinsurance company subsidiaries of Athene Holding, certain reinsurance and stable value wrap accounts related to such subsidiaries and certain third party

Clients. AAM, either directly or through the use of sub-advisers, including certain Apollo Credit Managers and Apollo Managers, invests primarily in fixed income and alternative investments on behalf of its Clients.

AAM also provides discretionary investment advisory services to certain Clients that are not affiliated with either Apollo or the Athene Group. 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 sub-advisers and/or may not agree to pay for the additional fees and/or expenses of such sub-advisers. To the extent that Clients do not permit AAM to use sub-advisers and/or to pay the fees and expenses of any such sub-adviser, AAM may manage the Client's account without the use of sub-advisers, 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 sub-advisers.

Members of the Athene Group have invested in, and in the future may invest in, alternative investments, including the Apollo Funds. 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.

Due to the voting structure of Athene Holding and because Apollo controls 45% of the voting control over Athene Holding, including membership of Apollo employees constituting one less than the majority of the 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, a conflicts committee (the "Conflicts Committee") of the Board of Directors of Athene Holding was established. 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 (alternatively, such consent can also be provided by a majority of the disinterested directors of Athene Holding's Board of Directors). The Conflicts Committee consists of the Chief Executive Officer of Athene Holding and AAM, and four directors who are not affiliated with Apollo or employed by the Athene Group. Apollo's ability to designate Conflicts Committee members on account of membership 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 Seventh 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),
- (ii) on an arms-length basis,
- (iii) approved by the disinterested directors of Athene Holding,
- (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.

From time to time, 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 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 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 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 also make investments that are contrary to the investments made by other AAM Clients. This also creates conflicts of interest regarding the management strategy taken toward such securities held by such AAM Clients.

Certain directors, officers and employees of AAM may be awarded shares of Athene Holding as incentive compensation, which may create an incentive to favor Clients within the Athene Group, for example by allocating attractive investment opportunities to such Clients or

dedicating additional time and resources to such Clients, each of which may have a detrimental effect on the performance of other Clients of AAM. Certain of the Athene Holding shares awarded to personnel of AAM will vest based in part on the performance of Athene Holding, which may create an incentive to make more speculative investments on behalf of the Clients within the Athene Group than they might otherwise make in the absence of such incentive compensation. AAM addresses this conflict of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interest of each Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are to be resolved under Apollo's policies and procedures, and by establishing investment allocation procedures. In addition, with respect to U.S. insurance company Clients, AAM generally is required to comply with specific insurance laws relating to permitted investments as set forth in the applicable investment management agreements.

### **MidCap FinCo Limited**

MidCap FinCo Limited, a private limited company domiciled in Ireland, and its subsidiaries (collectively referred to as "MidCap Financial") are managed by Apollo Capital Management pursuant to an investment management agreement. MidCap Financial launched in January 2015 and is focused on direct lending opportunities in the senior secured credit market across a diverse range of industries and asset classes. MidCap Financial includes the former operations and assets of MidCap Financial Holdings, LLC, a leading specialty finance firm focused on senior secured direct origination in the healthcare sector with more than \$2 billion of assets ("MidCap Holdings"). MidCap Holdings was primarily owned by AAA Investments (Co-Invest VII), L.P. ("AAA Co-Invest VII") in which subsidiaries of Athene Holding Ltd. were the only limited partners at the time of MidCap Holdings' contribution by AAA Co-Invest VII to MidCap Financial pursuant to a transfer agreement on January 21, 2015.

MidCap Financial Services, LLC, a MidCap Financial subsidiary, provides sourcing, due diligence and portfolio management services to MidCap Financial pursuant to a services agreement.

MidCap Financial Services, LLC employs a seasoned team of more than 75 employees headquartered in Bethesda, Maryland, complete with fully scalable asset management and back office infrastructure, systems and processes capable of full lender services.

Investment opportunities sourced for MidCap Financial may be appropriate for other Clients, and therefore, personnel from MidCap Financial Services, LLC and Apollo Capital Management may communicate from time to time about such investment opportunities. To address the conflict of interest that could arise from such an arrangement, Apollo Capital Management and MidCap Financial have enacted policies and procedures to monitor for these potential conflicts.

### **Family Offices**

Our three managing partners 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). Apollo Global Management 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.

### **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 creates 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.

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.**

The Apollo 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 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 (including, but not limited to, investments in private placements and limited offerings) other than those involving: Government and municipal securities; exchange-traded funds and closed-end funds; mutual funds (*i.e.* open ended investment companies); variable annuities; commodities; 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 short sales and 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 Chief Compliance Officer or designee 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 Chief Compliance Officer or designee.

The transactions reports must contain, at a minimum: (i) the date of the transaction, the title and, as applicable, the exchange ticker symbol or CUSIP number, the interest rate and maturity date, the number of shares and the principal amount of each reportable security involved; (ii) the nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, bank or other financial institution with or through which the transaction was effected; (v) if not effected through a broker, dealer or bank, the location of the securities and a description of how the transaction was effected; and (vi) the date that the Covered Person submits the report to the Chief Compliance Officer or designee. Submission to the Chief Compliance Officer or designee of a duplicate copy of the most recent periodic financial institution statements of the Relevant Persons, will be sufficient to fulfill the Holdings and Transactions Report requirement if such financial institution statements include all required information for all securities. The Chief Compliance Officer or designee shall ensure that duplicate account information for all accounts of Relevant Persons is sent directly to the Chief Compliance Officer, designee or electronically through our Personal Trading Control Center, PTCC.

The Code requires each Covered Person to prepare or certify, on at least an annual basis, reports of securities holdings and transactions.

### **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. 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. Apollo’s investment professionals receive initial and annual training in the use of expert networks and paid consultants.

### **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.

### **Principal and Cross Transactions**

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 in a principal transaction.

Apollo Real Estate Manager direct, from time to time and subject to applicable Client investment guidelines and restrictions, one Client to sell securities to another Client (or with other Apollo Funds) through an internal cross transaction. In addition, Apollo Funds and other affiliates of Apollo also engage in cross transaction with the Athene Group, and AAM effects cross transactions 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.

Cross transactions 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.

### **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 acquisition of other financial service businesses), and the Apollo Managers may allocate such opportunities in a similar manner in the future.

## **ITEM 12**

### **Brokerage Practices**

#### **Execution**

Portfolio transactions will be executed by brokers selected by the applicable Apollo Real Estate Managers in its 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 Apollo Real Estate Managers may invest on behalf of Clients in senior loans, debt securities, derivatives, hedges, and other instruments, which typically do not involve brokers or brokerage commissions, although an assignment fee is often charged by the administrative agent for a particular loan, and fees may be payable when buying and selling bank loans. The Apollo Real Estate Managers may buy or sell securities directly from or to a dealer acting as principal at prices that include markups or markdowns.

### **Soft Dollars**

The governing 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. Apollo Managers do not enter into formal soft dollar arrangements with broker-dealers. The Apollo Managers in the ordinary course may receive unsolicited research products and brokerage services from full service broker-dealers as part of their full range of services. Such unsolicited material might benefit Clients and therefore may be construed as soft dollars.

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.

### **Order Aggregation**

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 newsletters to investors on a periodic basis. The newsletters summarize the performance of the applicable Apollo Credit Fund, and provide a market outlook, exposure information and the net asset value. The Apollo Credit Funds also generally deliver audited financial statements on an annual basis, within 120 days of the applicable Fund’s fiscal year end.

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**

None of the Apollo Real Estate Managers compensate any person who is not a supervised person, including solicitors or placement agents, for Client referrals.

The Apollo Real Estate Managers 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 only applies to the solicitation of Clients and not investors. 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**

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.

The Apollo Real Estate Managers generally are deemed to have custody of Client funds and securities (other than those of ARI) where 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.

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 governing 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 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 portfolio 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 the portfolio 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.

Clients may request from the applicable Apollo Real Estate Manager a copy of the proxy voting policy and a record of how proxies have been voted.

#### **ITEM 18**

#### **Financial Information**

This Item 18 is not applicable. No Apollo Real Estate Manager is required to include a balance sheet for their most recent fiscal year, is aware of any financial condition reasonably likely to impair their ability to meet contractual commitments to Clients, or has been the subject of a bankruptcy petition at any time during the past ten years.