

**Item 1 – Cover Page**

**Blackstone Real Estate Advisors L.P.**

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as of March 30, 2016

Form ADV, Part 2; the “Brochure” provides information about the qualifications and business practices of Blackstone Real Estate Advisors L.P., a Delaware limited partnership (“BREA”).

If you have any questions about the contents of this Brochure, please contact Judy Turchin, Chief Compliance Officer for BREA, at (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com). 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 BREA is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link “Investment Adviser Search”, select “Firm” and type in the name “Blackstone Real Estate Advisors L.P.”). The search results will provide you with both Parts 1 and 2A of BREA’s Form ADV.

BREA is registered with the SEC as an investment adviser. BREA’s registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information for you to use to evaluate BREA and should be considered in your decision whether to invest in a Fund advised by BREA.

**Blackstone**

## Item 2 – Material Changes

There has not been a material change to this Brochure since its last filing dated July 31, 2015, other than the addition of Blackstone Real Estate Partners Europe V L.P., as an investment fund receiving investment advisory services from BREA.

In addition, please carefully read Items 5, 8 and 10, which describe certain fees and expenses, potential risk of loss and potential conflicts of interest, respectively.

BREA, at any time, may update this Brochure and offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Brochure, please download it from the SEC website as indicated on the cover of this Brochure, or you may contact BREA's Chief Compliance Officer, Judy Turchin, at (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

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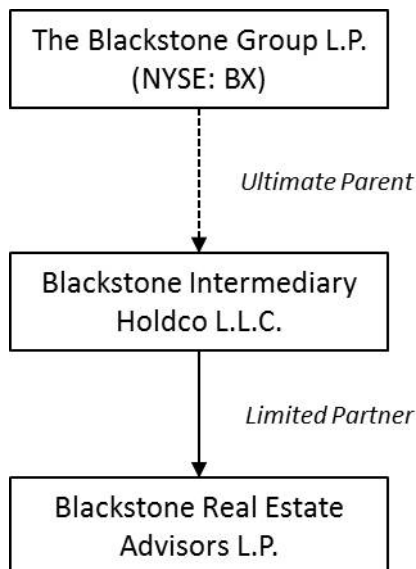
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## Item 4 – Advisory Business

### Overview of the Firm

BREA, a Delaware limited partnership provides investment advisory services to (i) Blackstone Real Estate Partners VI L.P. and its parallel funds and alternative investment vehicles (collectively, “BREP VI”), (ii) Blackstone Real Estate Partners VII L.P. and its parallel funds and alternative investment vehicles (collectively, “BREP VII”), (iii) Blackstone Real Estate Partners VIII L.P. and its parallel funds and alternative investment vehicles (collectively, “BREP VIII”), (iv) Blackstone Real Estate Partners Asia L.P. and its parallel funds and alternative investment vehicles (collectively, “BREP Asia”) and (v) Blackstone Real Estate Partners Europe V L.P. and its parallel funds and alternative investment vehicles (collectively, “BREP Europe V”) (each a “BREP Fund” and collectively, the “BREP Funds”). The BREP Funds are each investment funds that focus on control-oriented “opportunistic” investments in real estate assets or real estate related companies. BREA also provides investment advisory services to single investor and pooled vehicles that invest alongside the BREP Funds or in real estate related investments that Blackstone determines are not appropriate for the BREP Funds (the “Other Real Estate Investments”, and, together with the BREP Funds, the “Funds”). An affiliate of BREA serves as the general partner (the “General Partner”) of the Funds. BREA commenced operations in December 2006. BREA also provides sub-advisory investment services with respect to the MB Asia Real Estate Fund (“MB Asia”), which Blackstone has sponsored since 2010.

The ultimate parent of BREA is The Blackstone Group L.P., which is a publicly held limited partnership listed on the New York Stock Exchange and trades under the ticker symbol “BX”. Please see the structure chart below. The Blackstone Group L.P. (together with its affiliates, “Blackstone”) is a leading global alternative investment manager with investment programs concentrating in the private equity, real estate, hedge fund solutions, non-investment grade credit, secondary funds and other multi-asset class strategies. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.



As of December 31, 2015, BREA had regulatory assets under management of approximately \$56.40 billion on a discretionary basis. Please note that this figure is an unaudited estimate.

### Description of Advisory Services

BREA serves as investment advisor to the Funds pursuant to the terms of the investment advisory agreements (the “Advisory Agreements”) between BREA and each of the Funds. As investment advisor to the Funds, BREA:

1. Identifies investment opportunities for the Funds;
2. Makes recommendations to the General Partner of each Fund regarding the purchase and/or sale of investments; and
3. Participates in the monitoring and evaluation of the Funds’ investments.

BREA tailors its advisory services to the particular needs of each Fund. However, the specific needs of the individual investors in the Funds are not the basis for investment decisions by BREA. Investment advice is provided directly to the Funds by BREA and not individually to the respective investors of the Funds.

BREA also serves as an investment sub-advisor to MB Asia, pursuant to the terms of the investment sub-advisory agreement between BREA and Blackstone Singapore Pte. Ltd., the investment advisor to MB Asia.

## Item 5 – Fees and Compensation

### Management Fees and Performance Fees

Pursuant to the Advisory Agreements with each of the Funds, BRE A is entitled to compensation for its services in the form of an annual management fee (the “Management Fee”), payable quarterly in arrears, in respect of each Fund. In general, the Management Fee with respect to the Funds varies based on the amount of each investor’s capital commitment to the Fund. During the investment period, Management Fees are charged based on capital commitments, and thereafter based on invested capital. The Management Fee payable by a BREP VI investor is: (A) 1.50% per annum if such investor has aggregate capital commitments of less than \$300 million and (B) 1.25% per annum if such investor has aggregate capital commitments equal to or greater than \$300 million. The Management Fee payable by a BREP VII investor is: (A) 1.50% per annum if such investor has aggregate capital commitments of less than \$300 million, (B) 1.25% per annum if such investor has aggregate capital commitments equal to or greater than \$300 million but less than \$500 million, (C) 1.15% per annum if such investor has aggregate capital commitments equal to or greater than \$500 million but less than \$800 million and (D) 1.10% per annum if such investor has aggregate capital commitments equal to or greater than \$800 million. The Management Fee payable by a BREP VIII investor is: (A) 1.50% per annum if such investor has aggregate capital commitments of less than \$300 million, (B) 1.25% per annum if such investor has aggregate capital commitments equal to or greater than \$300 million but less than \$500 million and (C) 1.15% per annum if such investor has aggregate capital commitments equal to or greater than \$500 million. The Management Fee payable by a BREP Asia investor is: (A) 1.50% per annum if such investor has aggregate capital commitments of less than \$200 million, (B) 1.25% per annum if such investor has aggregate capital commitments equal to or greater than \$200 million but less than \$500 million and (C) 1.00% per annum if such investor has aggregate capital commitments equal to or greater than \$500 million. The Management Fee payable by a BREP Europe V investor is: (A) 1.5% per annum if such investor has aggregate capital commitments of less than €280 million (or \$300 million in the case of an investor making its capital commitment in U.S. dollars), and (B) 1.25% per annum if such investor has aggregate capital commitments equal to or greater than €280 million (or \$300 million in the case of an investor making its capital commitment in U.S. dollars). For BREP VII, BREP VIII and BREP Asia, the Management Fee payable by an investor that participated in the initial closing of such

Funds, as applicable, was waived for the four-month period following such Fund's effective date. For BREP Europe V, the Management Fee payable by an investor that participated in the initial closing of BREP Europe V will be waived for the four-month period following BREP Europe V's effective date. The Management Fee payable by an investor in an Other Real Estate Investment varies.

As set forth in **Item 6** below, each of the General Partners of the Funds are also eligible to receive performance-based compensation or "carried interest" allocations in respect of realized investments from each investor (other than those that are affiliates of BREA). The Private Placement Memorandum as amended, restated or supplemented from time to time, ("PPM") and the Limited Partnership Agreement (the "Partnership Agreement") and Advisory Agreement of each Fund include further details on fees, compensation and related matters.

In addition, pursuant to the sub-advisory agreement relating to MB Asia, BREA is entitled to compensation from Blackstone Singapore Pte. Ltd. BREA receives fees up to 110% of its costs in providing investment sub-advisory services.

Management Fees and performance-based compensation are either deducted from an investor's assets invested with BREA at the payment date, withheld from distributions or invoiced pursuant to a payment notice (in the case of Management Fees).

Certain investors in the Funds, including current and/or former senior advisors and employees of Blackstone, chief executive officers of Blackstone portfolio companies, investment funds advised by Blackstone Multi-Asset Advisors L.L.C. ("BMAA"), employees of PJT Partners Inc. and/or charitable programs, endowment funds and related entities established by or associated with any of the foregoing (collectively, "Blackstone Investors"), will not pay Management Fees and/or performance-based compensation (i.e., promote) in connection with their investment in the Funds. Notwithstanding the foregoing, such investors will either directly pay for their pro rata share of certain Fund expenses (as described below), or the pro rata amount of such expenses will be allocated to the General Partner or its affiliates. Such pro rata allocation of Fund expenses may be calculated based on capital commitments, invested capital, available capital or other metrics as determined by the General Partners in good faith. Any such methodology (including the choice thereof) involves inherent conflicts and may not result in perfect attribution and allocation of expenses.

**Other Fees Payable to BRE A and its Affiliates**

In addition to BRE A's Management Fee, performance-based compensation (see **Item 6** below) and Servicing Fee (if applicable), BRE A and its affiliates receive (i) fees relating to investments for any management, construction, leasing, development and other property management services, as well as services related to mortgage servicing, group purchasing, healthcare, consulting/brokerage, capital markets/credit origination, loan servicing, property, title and/or other types of insurance, management consulting and other similar operational matters (collectively, "Property Management Services") at competitive market rates and (ii) fees for advisory services (including investment banking) provided to companies in which the Funds, directly or indirectly, have an interest, at competitive market rates. BRE A and its affiliates may also receive an acquisition fee equal to a percentage of the total acquisition price of each investment ("Acquisition Fees"). Oftentimes Acquisition Fees are calculated as a percentage of the total enterprise valuation of the transaction, which is generally the aggregate amount of invested capital and debt assumed or financed by the Funds and/or the portfolio company and its subsidiaries and affiliates. Additionally, if Blackstone performs additional services for the Funds or its affiliates, it will receive additional fees at market rates for such services, subject to the approval of the L.P. Advisory Committee ("Additional Fees").

Any "break-up" or other similar fees received by BRE A and its affiliates in connection with any unconsummated or terminated transaction are treated like Additional Fees. In the event break-up or topping fees are paid to BRE A in connection with a transaction that is not ultimately consummated, co-investment and Blackstone side-by-side vehicles (including any vehicles established to facilitate the investment by Blackstone investors) that invest alongside the Funds will generally not be allocated any share of such break-up or topping fees; similarly, such co-investment vehicles generally do not bear their share of broken deal expenses for unconsummated transactions, and such costs and expenses will generally be borne by the Funds. Such other fees may give rise to conflicts of interest in connection with a Fund's investment activities.

The Management Fee paid by investors in the Funds to BRE A is reduced by:

(A) for investors in BREP VI, (i) 80% of such investor's pro rata share of any Additional Fees and (ii) 50% of such investor's pro rata share of any Acquisition Fees;

(B) for investors in BREP VII, (i) 80% of such investor's pro rata share of any Additional Fees and (ii) 70% of such investor's pro rata share of any Acquisition Fees;

(C) for investors in BREP VIII (i) 80% of such investor's pro rata share of any Additional Fees and (ii) 70% of such investor's pro rata share of any Acquisition Fees;

(D) for investors in BREP Asia, (i) 80% of such investor's pro rata share of any Additional Fees and (ii) 100% of such investor's pro rata share of any Acquisition Fees;

(E) for investors in BREP Europe V, (i) 80% of such investor's pro rata share of any Additional Fees and (ii) 100% of such investor's pro rata share of any Acquisition Fees; and

(F) for investors in the Other Real Estate Investments, a portion that varies among the Other Real Estate Investments;

provided, however, that such fees will be allocated between the relevant Fund (and parallel funds) and any other investment fund sponsored by BREA and its affiliates having an interest in such fees on a pro rata basis in applying the foregoing. The amount of such fees allocable to the Other Blackstone Funds and/or accounts and co-investment vehicles will generally not result in an offset of the Management Fee payable by investors in the Funds, even if such Other Blackstone Funds and/or accounts and co-investment vehicles provide for lower or no management fees for the investors or participants therein (such as the vehicles established in connection with Blackstone's side-by-side co-investment rights, which generally do not provide for a management fee or carried interest payable by participants therein), subject to certain limitations.

BREP Asia, BREP VIII and BREP Europe V bear expenses and fees charged or specifically attributed or allocated by BREA or its affiliates to provide administrative services to BREP Asia, BREP VIII and BREP Europe V as well as expenses, charges and/or related costs incurred by BREA or its affiliates in connection with such provision of administrative services to BREP Asia, BREP VIII and BREP Europe V (including the allocation of personnel compensation otherwise payable by Blackstone); provided, however, that any such expenses, fees, charges or related costs in connection with such provision of administrative services will not be greater than what would be paid to an unaffiliated third party for substantially similar services. Such allocations require judgments as to methodology that Blackstone will make in good faith. Such methodologies can include (i) requiring personnel to periodically record or allocate their historical time according to Fund, (ii) Blackstone approximating the proportion of certain personnel's time spent on particular funds, (iii) the assessment of an overall dollar amount (based on a fixed fee or percentage of assets under management) that Blackstone believes represents a

fair recoupment of expenses and market rate for such services or (iv) any other similar methodology determined by Blackstone to be appropriate under the circumstances. Any such methodology (including the choice thereof) involves inherent conflicts and may not result in perfect attribution and allocation of expenses. These expenses will be borne by the Fund and will not result in any offset to the Management Fee.

In addition, pursuant to the Advisory Agreement with BREP Europe V, BREa may charge, in its sole discretion, a servicing fee (the “Servicing Fee”) equal to 0.50% per annum based on capital commitments, in respect of any BREP Europe V investor with a capital commitment of less than €9.0 million (or \$10 million in the case of an investor making its capital commitment in U.S. dollars), subject to the right of the General Partner, in its sole discretion, to reduce or waive such fee. The Servicing Fee is payable quarterly in arrears. During the investment period, Servicing Fees will be charged based on capital commitments, and thereafter based on invested capital. As of the date of this Brochure, no BREP Europe V investors have been charged a Servicing Fee.

BREa and its personnel receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds, which will not be subject to Management Fee offset or otherwise shared with the Funds, investors and/or portfolio companies. For example, airline travel or hotel stays incurred as fund expenses may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to BREa and/or such personnel (and not the Fund’s investors and/or portfolio companies) even though the cost of the underlying service is borne by the Fund and/or portfolio companies. BREa, its personnel, and other related persons also receive discounts on products and services provided by portfolio companies and/or customers or suppliers of such portfolio companies.

BREa engages affiliated service providers to provide various services to the Funds, including fund administration services, title services, property management services, management and leasing oversight, corporate and trust services, loan servicing and real estate management, among others. As a result, Blackstone, through its interest in such affiliated service providers, receives (or will receive) fees and compensation resulting from the Funds and their investments, and there will be no related offset to the Management Fee. As a result, while Blackstone believes that any such affiliated service providers, when engaged, generally provides (or will provide) services at competitive market rates. There is an inherent conflict of interest that may incentivize Blackstone to engage its affiliated service provider over a third party. Please also see **Item 10 – Other Financial Industry Activities and Affiliations – Service Providers** for more information.

In addition, certain portfolio companies enter into agreements with Core Trust, an independent group purchasing organization used by large corporations and private equity firms. BREa and its affiliates receive referral fees in connection with the services provided to portfolio companies by Core Trust. These referral fees are not subject to Management Fee offset or otherwise shared with the Funds.

BREa will also engage and retain on behalf of the Funds and/or their portfolio companies certain Blackstone affiliates (including, for example, Equity Healthcare, BPM, LNLS and COE, each defined in **Item 10**) that will receive fees from the Funds and/or their portfolio companies for providing administrative, management or other services. See **Item 10 – “Service Providers”** below. These fees will be borne by the Fund and will not result in any offset to the Management Fee.

In addition, BREa will engage and retain on behalf of the Funds and/or their portfolio companies senior advisors, strategic advisors, consultants, and/or other similar professionals who are not employees or affiliates of BREa and who are expected to receive payments from, or performance-based compensation (e.g., promote) with respect to, portfolio companies (as well as from Blackstone or the Funds), and such amounts will not offset the Management Fee paid by the Funds.

In addition, BREa may receive fees associated with capital invested by co-investors relating to investments in which the Funds participate. This may include in connection with a joint venture in which the Funds participate or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which BREa performs services. These fees do not offset Management Fees payable by Fund investors.

### **Expenses**

The following is a list of expenses that are typically borne by the Funds (and indirectly by the investors of the Funds) and paid directly to third parties. This list is not intended to be exhaustive; prospective and existing investors in the Funds are advised to review the applicable Fund’s PPM and Partnership Agreement for a more extensive description of the expenses associated with an investment in such Fund.

- § Legal fees
- § Placement fees (see **Item 14** below)

- § Regulatory filing fees of the Funds, including but not limited to compliance with the EU Alternative Investment Fund Managers Directive (“AIFMD”)
- § Expenses related to BREAs’ compliance matters and reporting obligations to the extent they relate to the Funds’ activities (e.g., Form PF, CFTC filings, AIFMD)
- § Administrative fees (including in-house administration costs), expenses and charges, including overhead related thereto
- § Consultant, operating partner and senior advisor expenses (See “Advisors, Consultants and Operating Partners” in **Item 10** below) and the expenses of investment bankers (See “Other Blackstone Businesses and Activities” in **Item 10** below)
- § Technology expenses (which includes internally allocated charges)
- § Taxes
- § Asset management fees
- § Audit and accounting fees
- § Brokerage commissions, including hedging costs
- § Transaction fees
- § Fees and expenses associated with borrowing, guarantees and other financing
- § Costs and expenses associated with vehicles through which the Fund or the investors directly or indirectly participate in investments
- § Custodial fees
- § Bank fees
- § Travel and related expenses in connection with the Funds’ investment activities (including first class and/or business class airfare (and/or private charter, where appropriate), first class lodging, ground transportation, travel and premium meals (including closing dinners and mementos, cars and meals (outside normal business hours) and social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers). Most staff out-of-pocket travel expenses in connection with the Funds’ transactions are treated as fund expenses, subject to the terms of the Partnership Agreements and the Advisory Agreements.
- § Capital raising expenses associated with investor admission and investor-related services and other similar costs
- § Research-related expenses, including news and quotation equipment and services
- § Broken-deal expenses
- § Expenses associated with the preparation of the Funds’ periodic reports (and related financial and other statements) and investor notices and communications
- § Expenses of investor meetings
- § Insurance expenses

- § Expenses of litigation or settlement involving the Funds or entities in which the Funds have investments and the amount of any judgments or settlements paid in connection therewith
- § Expenses incurred in connection with complying with provisions in investor side letter agreements, including “Most-Favored Nations” provisions
- § Valuation costs
- § Expenses of the investor advisory committee (the “L.P. Advisory Committee”)
- § Expenses of third-party advisory committees of the Funds
- § Expenses associated with the acquisition, holding, monitoring and disposition of investments
- § Fees, costs and expenses related to the organization or maintenance of any intermediate entity
- § Liquidation expenses
- § Arbitration expenses

Investors in a Fund are typically allocated their pro rata share of such fees and expenses, which may be calculated based on capital commitments, invested capital, available capital, or other metrics as determined by the General Partner in good faith. From time to time, the General Partner will be required to decide whether costs and expenses are to be borne by a Fund, on the one hand, or the General Partner and BREA, on the other, and/or whether certain costs and expenses should be allocated between or among the Funds, on the one hand, and Blackstone’s other investment funds, managed accounts, collective investment vehicles and/or other similar arrangements (including vehicles in existence as of the date hereof and those that will be formed in the future, collectively, “Other Blackstone Funds”), on the other. Certain expenses may be suitable for only a particular Fund, its parallel fund or participating Other Blackstone Funds and borne only by such fund, or, as is more often the case, expenses may be allocated *pro rata* among the Fund, all of its parallel funds and participating Other Blackstone Funds, even if the expenses relate only to particular vehicle(s) and/or investor(s) therein. The General Partner will make such judgments in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. There can be no assurance that a different manner of allocation would not result in a Fund bearing less (or more) expenses.

## Item 6 – Performance-Based Fees and Side-By-Side Management

In addition to the Management Fees and other fees described in **Item 5** that are received by BREa, the General Partner of each Fund receives a portion of the profits of current disposition proceeds from each Fund with respect to each investor (other than those that are affiliates of BREa), which is equal to, in the case of the BREP Funds, 20% of the amounts otherwise distributable to such investor, and in the case of the Other Real Estate Investments, a percentage of the amounts otherwise distributable to such investor that varies depending on the particular Other Real Estate Investment. Such allocation of profits is only allocated to the General Partners when specific conditions are met, including the return to each of the investors of an aggregate amount equal to all capital contributed to the Funds by such investors for realized investments, writedowns on unrealized investments, fees and expenses allocable to such investments and the receipt of a preferred return on such amounts.

The Funds distribute current income from an investment generally in the manner described above relating to the distribution, except that distributions are made on an investment by investment basis and do not take account of a return of capital and any writedowns, but will take into account actual unrecouped losses from prior dispositions.

The fact that BREa's affiliate is in part compensated based on the performance of the Funds may create an incentive for BREa to recommend investments to the Funds that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangement. However, the commitment by Blackstone to invest in the Funds, the clawback provisions, where applicable, and the fact that the preferred return is calculated on an aggregate basis should tend to reduce the incentive to make more speculative investments or otherwise time the sale of investments in a manner motivated by the personal interests of Blackstone personnel. In connection therewith, the General Partner's clawback obligation, where applicable, creates an incentive for the General Partner to defer disposition of one or more investments if such disposition would result in a realized loss, and/or the finalization of dissolution and liquidation of a Fund where a clawback obligation would be owed.

Subject to the terms of the Partnership Agreements of the BREP Funds, there may be investments that are allocated to the Other Blackstone Funds. Please see **Item 10 – “Other Financial Industry Activities and Affiliations”**, and in particular, **“Other Blackstone Funds; Allocation of Investment Opportunities”** for further information.

BREA has adopted policies and procedures reasonably designed to enable it to operate in a manner whereby all its clients are treated fairly and equitably and to minimize the risk of any potential conflict of interest. These policies and procedures are described in more details below in **Item 11 – Code of Ethics**.

As described in **Item 5**, Blackstone Investors are not subject to Management Fees or carried interest allocations.

## Item 7 – Types of Clients

BREA manages the Funds. A Fund’s investors may consist of some or all of the following:

Banks and other financial institutions;

Insurance companies;

Investment companies;

Public and private retirement and pension plans;

Public and private profit sharing plans;

Trusts and estates;

Charitable organizations and foundations, including endowment funds thereof;

State and municipal government agencies;

Sovereign wealth funds;

Private investment funds;

Corporations;

Business entities other than those listed above;

Certain high net worth individuals; and

Family Offices.

All investors are subject to applicable suitability requirements. BREA and the General Partner require that each investor in the Funds be an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and a “qualified purchaser” as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and meet other suitability requirements (including, in some circumstances, a person that is not a U.S. Person as defined in Regulation S under the Securities Act). Generally, investors must invest a minimum dollar amount as determined in the General Partner’s discretion.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

### Analysis

BREA identifies and evaluates the investments in which the Funds invest. BREA's analysis is based on certain criteria, which include, but are not limited to, liquidity and investment performance.

### Investment Strategies

BREA offers advice to the Funds generally to invest in equity, equity-related real estate securities (including (i) preferred stock, debt and other securities relating to common equity investments and (ii) preferred stock, debt and other securities that are expected to produce equity-like returns), single real estate assets, portfolios of real estate assets, real estate operating companies, and other real estate and real estate-related assets in conjunction with privately negotiated transactions. These investments are generally made in connection with acquisitions, dispositions, restructurings, workouts, management acquisitions and other similar situations and generally involve some degree of leverage.

BREA's investment analysis methods include fundamental, technical and cyclical research. BREA's investment team is responsible for evaluating real estate, securities and other products for investment, and investment allocation and investment selection for the Funds. BREA's investment professionals with the advice and assistance of outside legal counsel when deemed appropriate, also review portfolios for adherence to the applicable investment guidelines of each applicable Fund.

BREA conducts primarily four types of due diligence on prospective investments:

- A preliminary review of each opportunity is conducted to screen the attractiveness of each investment followed by an initial projection based on macro- and micro-economic analyses. Projection assumptions are generally developed from analysis of historical operating performance, discussions with local real estate contacts, and review of published sources.

- BREA reviews relevant books and records (such as comparing rent roll to leases for office buildings), confirms cash flow information provided by the seller, and conducts similar types of analysis, in most instances using outside consultants.
- Physical due diligence primarily involves an analysis of environmental and engineering matters through third-party consultants. Conclusions from environmental/engineering reports are incorporated into the financial projection analysis. Additionally, each potential investment and comparable properties are investigated to assess relative market position, functionality and obsolescence.
- BREA works closely with outside legal counsel to review, diligence and negotiate all applicable legal and property-specific documents pertaining to an investment (e.g., loan documents, leases, management agreements, purchase contracts, etc.).

Blackstone's real estate group ("Blackstone Real Estate Group" or "Real Estate Group") generally meets each week to discuss potential and pending transactions in the group. At that meeting, transactions being pursued by the Real Estate Group are discussed (unless there are no new developments or activities to report). If the Real Estate Group's consideration of a transaction has advanced to the stage where the transaction team proposes to place a definitive bid to acquire or invest in the subject assets, the transaction team prepares a detailed memorandum on the transaction for the Real Estate Investment Committee (the "Investment Committee"), which in practice meets on Monday each week to review investment opportunities and market conditions. The Investment Committee's discussions are led by the Blackstone Real Estate Group's Global Head and its Chief Investment Officer. The Investment Committee includes all senior managing directors in the Blackstone Real Estate Group, as well as the Chairman and CEO of Blackstone and the President of Blackstone. The Investment Committee discusses each significant transaction in depth with the transaction team and decides whether to authorize the investment. Smaller property investments are reviewed by a prescribed, small subset of the Investment Committee. In addition to an in-depth discussion of the subject investment and the investment thesis, investment allocation, deal tactics and potential exit strategies will usually be discussed by the Investment Committee and the transaction team.

**Risk of Loss**

An investment in the Funds entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of an investment therein and bearing the risks such investments represent. Set forth below is a non-exhaustive list of such risks:

1. No established market for potential investments exists
2. Illiquidity of investments by the Funds
3. Restrictions on transfers of investor interests under the Partnership Agreement and/or the Securities Act
4. Changes in legal, fiscal, and regulatory regimes
5. Nature of equity or equity-related investments
6. Non-U.S. investments, including currency fluctuation and political factors
7. Dependence on BREA, BREA's key personnel and real estate professionals and portfolio company management
8. Portfolio concentration
9. Investment environment and market risk
10. Market volatility risks, including interest rate fluctuations
11. Risk of loss of entire investment
12. Deterioration of property values
13. Policy risks in emerging markets
14. Highly competitive nature of real estate investment business
15. Due diligence may not reveal all factors affecting an investment
16. Ability to deploy capital in conjunction with finding suitable investments
17. Lender liability risks, including equitable subordination
18. Hedging risk
19. Currency fluctuations
20. Risks associated with real estate investment activities generally
21. Increase in supply / decrease in demand
22. Residential real estate's susceptibility to adverse changes in economic and employment conditions
23. Risks of fraud, delayed construction arising in investments in new development
24. Risks of acquiring real estate property, including fluctuations in occupancy, rental rates, operating income and expenses
25. Valuation matters (see **Item 10 – "Valuation Matters"** for more information)
26. Contingent liabilities incurred on dispositions or financings of investments

- 27. Limited ability to protect the Fund's interest when making non-controlling investments or investments with third parties
- 28. Lack of diversification in investments
- 29. Operating and financial risks of portfolio companies
- 30. Cyber security breaches and identity theft
- 31. Risks arising from ERISA including potential control group liability
- 32. Cross incurrence of indebtedness or guarantees on a several, joint and several or cross-collateralized basis among the Funds and with Other Blackstone Funds (please see **Item 10 – "Portfolio Company Relationships"** for more information)
- 33. CFTC registration requirements and compliance with AIFMD
- 34. Enhanced scrutiny and potential regulation of the private investment fund industry and the financial services industry (including Dodd-Frank)

**Prospective investors are advised to review the applicable Fund's PPM for a more extensive description of the risks of investing in the Funds.**

Stock markets, bond markets and real estate markets fluctuate substantially over time. As relatively recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets which BREA manages that is out of BREA's control. BREA cannot guarantee any level of performance or that investors in the Funds will not experience a substantial or complete loss of their investment. There is no assurance that the Funds will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategy. The marketability and value of any such investment will depend upon many factors beyond the control of BREA. The expenses of the Funds may exceed their income, and an investor in a Fund could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund if the investor can withstand a total loss of its investment. The past investment performance of the Funds cannot be taken to guarantee future results of the Funds or any investment in the Funds.

## **Item 9 – Disciplinary Information**

BREA does not have any legal, financial or other “disciplinary” events to report. As a registered investment adviser, BREA is obligated to disclose any legal disciplinary event that would be material to a client when evaluating the adviser’s advisory business or integrity of its management.

On occasion, in the ordinary course of its business, Blackstone is named as a defendant in a legal action. Although there can be no assurance of the outcome of such legal actions, BREA does not believe that any current legal proceeding or claim to which Blackstone is a party would individually or in the aggregate materially affect BREA and/or the Funds’ results of operations, financial position or cash flows.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Other Financial Industry Activities**

From time to time potential and actual conflicts of interest will arise as a result of the overall investment activities of the General Partners, the Funds, Blackstone, BREA and their affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. Blackstone and Blackstone personnel may in the future engage in further activities that may result in additional conflicts of interest not addressed herein. Investors in the Funds should consult the PPM of the applicable Fund for a more complete list of applicable conflicts. Any references to Blackstone and BREA in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors and employees.

If any matter arises that BREA determines in its good faith judgment constitutes an actual conflict of interest, BREA will take such actions as it determines in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions BREA will be relieved of any liability for such conflict to the fullest extent permitted by law and will be deemed to have satisfied applicable fiduciary duties related thereto to the fullest extent permitted by law). These actions include, by way of example and without limitation, (i) presenting a material conflict of

interest to the L.P. Advisory Committee of the respective Fund as expressly provided for in the respective Partnership Agreement; (ii) disposing of the investment or security giving rise to the conflict of interest; (iii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; (iv) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the respective L.P. Advisory Committee regarding the conflict of interest and either obtaining a waiver or consent from the respective L.P. Advisory Committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the respective L.P. Advisory Committee with respect to such conflict of interest; (v) disclosing the conflict to the investors (including, without limitation, in drawdown notices, quarterly letters or other communications) or (vi) implementing certain policies and procedures reasonably designed to ameliorate such conflict of interest. There can be no assurance that BREA will identify or resolve all conflicts of interest in a manner that is favorable to each Fund. By acquiring an interest in a Fund, each investor will be deemed to have acknowledged and consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

***Blackstone Policies and Procedures.*** Specified policies and procedures implemented by Blackstone to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions will from time to time reduce the synergies across Blackstone's various businesses that the Funds expect to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different asset management businesses, including a capital markets group, it is subject to a number of actual and potential conflicts of interest, greater regulatory oversight and subject to more legal and contractual restrictions than that to which it would otherwise be subject if it had just one line of business. In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, Blackstone has implemented certain policies and procedures (e.g., information walls) that reduce the positive firm-wide synergies the Funds could otherwise expect to utilize for purposes of identifying and managing attractive investments. For example, Blackstone will from time to time come into possession of material non-public information with respect to companies in which its private equity business may be considering making an investment or companies that are clients of Blackstone. As a consequence, that information, which could be of benefit to the Funds, might become restricted to those respective businesses and otherwise be unavailable to the Funds. In addition, to the extent that the Blackstone Real Estate Group is in possession of material non-public information or is otherwise restricted from trading in certain securities, the Funds and BREA, as part of the Blackstone Real Estate Group, generally also will be deemed to

be in possession of such information or otherwise restricted. This could reduce the investment opportunities available to the Funds, prevent the Funds from acquiring and exiting an investment or otherwise limit their investment flexibility. Additionally, the terms of confidentiality or other agreements with or related to companies in which any Blackstone fund has or has considered making an investment or which is otherwise a client of Blackstone will from time to time restrict or otherwise limit the ability of the Funds and/or their portfolio companies and their affiliates to make investments in or otherwise engage in businesses or activities competitive with such companies. Blackstone may enter into one or more strategic relationships in certain regions or with respect to certain types of investments that, although intended to provide greater opportunities for the Funds, may require the Funds to share such opportunities or otherwise limit the amount of an opportunity the Funds can otherwise take.

***Performance-Based Compensation.*** The existence of the General Partner's carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based compensation. Under the terms of the Funds' Partnership Agreements, the General Partner is entitled to elect to receive its carried interest with respect to an investment that is otherwise being sold in the form of an in-kind distribution of marketable securities, including if the purpose is to permit one or more Blackstone personnel to donate such securities to charity (which may include private foundations, funds or other charities associated with any such personnel). The tax efficiencies to such Blackstone personnel associated with this form of charitable giving may have the effect of reinforcing and/or enhancing the General Partner's incentives otherwise resulting from the existence of its carried interest and therefore conflicts of interest may arise in making decisions on behalf of the Funds (including the timing of the disposition of investments). However, the significant commitment by Blackstone to invest in investments, the General Partner clawback, and the fact that the hurdle rate is calculated on an aggregate basis should tend to reduce the incentive to make more speculative investments or otherwise time the sale of investments in a manner motivated by the personal interests of Blackstone personnel. In connection therewith, the General Partner's clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments if such disposition would result in a realized loss and/or the finalization of dissolution and liquidation of a Fund where a clawback obligation would be owed. In addition, upon a withdrawal by an investor from a Fund (in limited circumstances) and upon the liquidation of a Fund, the General Partner may receive carried interest distributions with respect to a distribution in-kind of non-marketable securities. The valuation of such securities for such purposes will be determined by the General Partner as set forth in the applicable Fund's Partnership Agreement.

***Other Blackstone Businesses and Activities.*** As part of its regular business, Blackstone provides a broad range of services. In addition, from time to time, Blackstone will provide services in the future beyond those currently provided. Investors will not receive a benefit from such fees.

In connection with its capital markets, investment banking and other businesses, Blackstone may determine that there are conflicts of interest or come into possession of information that limits its and its affiliates' ability to engage in potential real estate-related transactions. The activities of the Funds may be constrained as a result of such conflicts of interest and Blackstone's inability to use such information.

For example, employees of Blackstone may be prohibited by law or contract from sharing information with the Blackstone Real Estate Group. Additionally, there may be circumstances in which one or more individuals associated with Blackstone will be precluded from providing services to the General Partner or BREa because of certain confidential information available to those individuals or to other parts of Blackstone. Blackstone is under no obligation to decline any engagements or investments in order to make an investment opportunity available to the Funds. Blackstone has long-term relationships with a significant number of corporations and their senior management. BREa will consider those relationships when evaluating an investment opportunity, which may result in BREa choosing not to make such an investment due to such relationships (e.g., investments in a competitor of a client). The Funds may be forced to sell or hold existing investments as a result of investment banking relationships or other relationships that Blackstone may have or transactions or investments Blackstone and its affiliates may make or have made. The Funds may also co-invest with such clients of Blackstone in particular investment opportunities and the relationship with such clients could influence the decisions made by the General Partner with respect to such investments. Therefore, there can be no assurance that all potentially suitable investment opportunities that come to the attention of Blackstone will be made available to the Funds.

Blackstone will from time to time participate in underwriting or lending syndicates with respect to portfolio companies of the Funds, or otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, the portfolio companies of the Funds, or otherwise in arranging financing (including loans) for portfolio companies. Such underwritings will be on a firm commitment basis or may be on an uncommitted "best efforts" basis. A Blackstone broker-dealer will from time to time act as the managing underwriter or a member of the underwriting syndicate and purchase securities from the Funds or such portfolio companies or advise on such transactions. Blackstone will also from

time to time, on behalf of the Funds or other parties to a transaction involving the Funds, effect transactions, including transactions in the secondary markets where it will from time to time nonetheless have a potential conflict of interest regarding the Funds and the other parties to those transactions to the extent it receives commissions or other compensation from the Funds and such other parties. Subject to applicable law, Blackstone will from time to time receive underwriting fees, discounts, placement commissions, lending arrangement and syndication fees (or, in each case, rebates of any such fees, whether in the form of purchase price discounts or otherwise, even in cases where Blackstone or an Other Blackstone Fund or account is purchasing debt) or other compensation with respect to the foregoing activities, which are not required to be shared with the Funds or the investors and the Management Fee with respect to an investor generally will not be reduced by such amounts. Blackstone will from time to time nonetheless have a potential conflict of interest regarding the Funds and the other parties to those transactions to the extent it receives commissions, discounts or such other compensation from such other parties. The General Partner will approve any transactions in which a Blackstone broker-dealer acts as an underwriter, as broker for a Fund, or as dealer, broker or advisor, on the other side of a transaction with a Fund only where the General Partner believes in good faith that such transactions are appropriate for such Fund and, by executing a subscription agreement for interests in a Fund, an investor consents to all such transactions, along with the other transactions involving conflicts of interest described herein, to the fullest extent permitted by law. Sales of securities for the account of the Funds (particularly marketable securities) will from time to time be bunched or aggregated with orders for other accounts of Blackstone including Other Blackstone Funds. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged which may be disadvantageous to the Funds. Where Blackstone serves as underwriter with respect to a portfolio company's securities, the Funds will from time to time be subject to a "lock-up" period following the offering under applicable regulations during which time its ability to sell any securities that it continues to hold is restricted. This may prejudice the ability of the Funds to dispose of such securities at an opportune time.

Blackstone employees, including employees of BREA, are generally permitted to invest in alternative investment funds, real estate funds, hedge funds or other investment vehicles, including potential competitors of the Funds. Investors will not receive any benefit from any such investments.

On October 1, 2015, Blackstone spun off its financial and strategic advisory services, restructuring and reorganization advisory services, and its Park Hill fund placement businesses

and combined these businesses with PJT Partners Inc. (“PJT”), an independent financial advisory firm founded by Paul J. Taubman. While the new combined business operates independently from Blackstone and is not an affiliate thereof, nevertheless conflicts may arise in connection with transactions between or involving the Funds and their portfolio companies on the one hand and PJT on the other. Specifically, given that PJT will not be an affiliate of Blackstone, there may be fewer or no restrictions or limitations placed on transactions or relationships engaged in by PJT’s new advisory business as compared to the limitations or restrictions that might apply to transactions engaged in by an affiliate of Blackstone. It is expected that there will be substantial overlapping ownership between Blackstone and PJT for a considerable period of time going forward. Therefore, conflicts of interest in doing transactions involving PJT will still arise. The pre-existing relationship between Blackstone and its former personnel involved in such financial and strategic advisory services, the overlapping ownership, co-investment and other continuing arrangements, may influence Blackstone and/or BREA in deciding to select or recommend PJT to perform such services for the Funds (or a portfolio company) (the cost of which will generally be borne directly or indirectly by the Funds or such entity, as applicable). Nonetheless, the General Partner and its affiliates will be free to cause the Funds and portfolio companies to transact with PJT generally without restriction under the Partnership Agreements notwithstanding such overlapping interests in, and relationships with, PJT.

In addition, other present and future activities of Blackstone and its affiliates (including BREA and the General Partners) will from time to time give rise to additional conflicts of interest relating to the Funds and their investment activities. In the event that any such conflict of interest arises, the General Partner will attempt to resolve such conflicts in a fair and equitable manner. Investors should be aware that conflicts will not necessarily be resolved in favor of the Funds’ interests. In addition, pursuant to the Partnership Agreements, L.P. Advisory Committees have been or will be established and authorized to give consent on behalf of the Funds with respect to certain matters. If the L.P. Advisory Committee consents to a particular matter as to which it is consulted and the General Partner acts in a manner, or pursuant to the standards and procedures, approved by the L.P. Advisory Committee, or otherwise as provided in the applicable Partnership Agreement, then the General Partner and its affiliates will not have any liability to the Fund or the investors for such actions taken in good faith by them.

***Allocation of Personnel.*** BREA and its affiliates will devote such time as shall be necessary to conduct the business affairs of the Funds in an appropriate manner. However, Blackstone personnel, including certain members of the Investment Committee, will work on other projects and/or Other Blackstone Funds, will serve on other committees and have other responsibilities

throughout Blackstone and/or its portfolio companies, and, therefore, conflicts are expected to arise in the allocation of personnel and such personnel's time. This may include BREDS (as defined below), the BPP Funds (as defined below) or other real estate investment programs now existing or to be developed in the future. In this regard, however, a group of real estate professionals will devote a majority of their business time to the activities of the Funds, and any successor or predecessor funds thereto (and their respective investments) and their related entities (which may include separate accounts, dedicated managed accounts and/or investment funds formed for specific geographical areas or investments). For purposes hereof, "BREDS" shall be deemed to include Blackstone Real Estate Debt Strategies III L.P., its successor and predecessor funds, and other vehicles accounts and/or entities (including without limitation, Blackstone Mortgage Trust Inc. ("BXMT"), a publicly traded REIT, and any other funds, vehicles, accounts and/or other entities managed on a day-to-day basis primarily by personnel in the Blackstone Real Estate Debt Strategies Group). For purposes hereof, "BPP Funds" shall be deemed to include Blackstone Property Partners L.P., Blackstone Property Partners International – A L.P., Blackstone Asia Property Partners – AD L.P., Blackstone Property Partners Global – NJ L.P., each of their respective parallel funds and successor funds, including any alternative vehicles formed in connection therewith, and any other funds, vehicles, accounts and/or other entities related to the "core" or "core+" investment space (including such future investment funds, managed accounts and/or other similar arrangements).

***Advisors, Consultants and Operating Partners.*** Blackstone engages and retains strategic advisors, consultants, senior advisors operating partners and/or other professionals (which may include former Blackstone employees as well as current and former executive officers of Blackstone portfolio companies) as well as other similar professionals who are not employees or affiliates of Blackstone (collectively, "Consultants") and who are expected, from time to time, to receive payments from, or allocations with respect to, portfolio companies (as well as from Blackstone or the Funds). In such circumstances, such payments from, or allocations with respect to, portfolio companies and/or the Funds may be treated as Fund expenses and will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Blackstone, be deemed paid to or received by Blackstone and such amounts will not offset any Management Fees otherwise due. These Consultants have the right or may be offered the ability to co-invest alongside the Funds, including in those investments in which they are involved (and for which they may be entitled to receive performance-related incentive fees, which will reduce the Funds' returns and will not necessarily be subordinated to the return of investor's capital contributions), or otherwise participate in equity plans for management of any such portfolio company, or invest directly in the Funds or in vehicle(s) controlled by the Funds subject to

reduced or waived Management Fees and/or performance-based compensation, including after the termination of their engagement by or other status with Blackstone, and such co-investment and/or participation (which generally will result in the Funds being allocated a smaller share of an investment) will not be considered as part of Blackstone's side-by-side co-investment rights. Additionally, and notwithstanding the foregoing, these Consultants are expected to be (or have the right to be) investors in Blackstone portfolio companies (which, in some cases, may involve agreements to pay performance fees to such persons in connection with the Funds' investments therein, which will reduce the applicable Fund's returns and will not necessarily be subordinated to the return of investors' capital contributions) and/or Other Blackstone Funds, and may be permitted to participate in Blackstone's side-by-side co-investment rights, which generally do not provide for a Management Fee or carried interest payable by participants therein and generally result in the Funds being allocated a smaller share of an investment than would otherwise be the case in the absence of such side-by-side co-investment rights. Additionally, Other Blackstone Funds will be permitted (or have the preferred right) to participate in Blackstone's side-by-side co-investment rights. In particular, funds, vehicles, accounts and other similar arrangements managed by Blackstone Multi-Asset Advisors L.L.C., which co-invest with multiple Blackstone funds, will participate in investments alongside the Funds pursuant to Blackstone's side-by-side investment rights. In such cases Blackstone would be eligible to receive fees and carried interest. The nature of the relationship with each Consultant and the amount of time devoted or required to be devoted by them varies considerably. In some cases, they provide the General Partner and/or BREA with industry-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In certain instances, Blackstone has formal arrangements with these Consultants (which may or may not be terminable upon notice by any party), and in other cases the relationships are more informal. They are either compensated (including pursuant to retainers and expense reimbursement and, in any event, pursuant to negotiated arrangements which will not be confirmed as being comparable to the market rates for such services) from Blackstone, one or more Funds and/or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops. In certain cases, they have certain attributes of Blackstone "employees" (e.g., they may have dedicated offices at Blackstone, participate in general meetings and events for Blackstone personnel or on Blackstone matters as their primary or sole business activity) even though they are not considered Blackstone employees, affiliates or personnel for purposes of the PPM, Partnership Agreement, Advisory Agreement and related Management Fee offset provisions of each Fund.

There can be no assurance that any of the Consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with Blackstone, the Funds and/or any portfolio companies throughout the term of the Funds.

***Cross-Guarantees and Cross-Collateralization.*** The General Partner will make reasonable efforts to avoid any cross-guarantees or similar obligations for any Other Blackstone Fund that may invest with the Funds (other than parallel funds and alternative investment vehicles) (it being understood, for greater certainty, that the foregoing does not include cross-collateralization at the level of a portfolio vehicle or entity or operating platform and its respective assets (each, a “Portfolio Vehicle”) that is non-recourse to the Funds), as more fully described below.

In connection with seeking financing or refinancing of a Portfolio Vehicle, it may be the case that better financing terms are available when more than one Portfolio Vehicle provides collateral, particularly in circumstances where the assets of each Portfolio Vehicle are similar in nature. As such, rather than seeking such financing or refinancing on its own, a Portfolio Vehicle of a Fund may enter into cross-collateralization arrangements with another Portfolio Vehicle of a Fund or Portfolio Vehicles of one or more Other Blackstone Funds (including portfolio companies of a Fund’s predecessor or successor funds). While Blackstone would expect any such financing arrangements to generally be non-recourse to the Funds and the Other Blackstone Fund, as a result of any cross-collateralization, such Fund could also lose its interests in otherwise performing investments due to poorly performing or non-performing investments of Other Blackstone Funds.

It is also possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one Portfolio Vehicle or group of Portfolio Vehicles, which will typically result in (i) any of a Portfolio Vehicle of the Funds or a Portfolio Vehicle of an Other Blackstone Fund being solely liable with respect to its own and such Other Blackstone Fund’s Portfolio Vehicle’s share of the applicable obligation and therefore, being required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such Other Blackstone Fund’s Portfolio Vehicle is unable to repay its pro rata share of such indebtedness and/or (ii) any of the Funds’ Portfolio Vehicles and such Other Blackstone Fund’s Portfolio Vehicle being jointly and severally liable for the full amount of such applicable obligation or liable on a cross-collateralized basis on an investment-by-investment or portfolio wide basis or liable for an equity cushion (which cushion amount may vary depending upon the type of financing or refinancing (e.g., cushions for refinancings may be smaller)), in each case which may result in the Funds’ Portfolio Vehicle and such Other Blackstone Fund’s Portfolio

Vehicle entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of the Funds or such Other Blackstone Funds or Portfolio Vehicles would be compensated (or provide compensation to the other) from being primarily liable vis-à-vis such third party counterparty.

***Portfolio Company Relationships.*** Portfolio companies of the Funds and Other Blackstone Funds are or will be counterparties or participants in agreements, transactions or other arrangements with the Funds, Other Blackstone Funds, and portfolio companies of the Funds and Other Blackstone Funds that, although Blackstone determines to be consistent with the requirements of such funds' governing agreements, would not have otherwise been entered into but for the affiliation with Blackstone, and which involve fees and/or servicing payments to Blackstone-affiliated entities that are not subject to the Management Fee offset. Such affiliated service providers, which are generally expected to receive competitive market rate fees as well as a management promote and/or incentive fees (each as determined by the General Partner) with respect to certain investments, include without limitation:

*151 Property.* Portfolio Vehicles are expected to engage 151 Property, a BREP VI-owned Australian real estate company, which will provide certain day-to-day oversight and property management services to Australian office and retail assets.

*Anticipa.* Portfolio Vehicles are expected to engage Anticipa, an operating platform owned by BREP Europe IV and BREP VII, to provide loan servicing and real estate management in Europe.

*BRE Europe.* BRE Europe Real Estate Investment ("BRE Europe") refers to a group of Luxembourg-based companies that are the master holding companies through which the Blackstone real estate funds principally invest into European investments. BRE Europe provides seven key service functions to European-domiciled entities that are part of the investments of the Blackstone real estate funds. Companies within BRE Europe providing services to certain of the Funds are owned directly by other Blackstone real estate funds. The key service functions provided are: (1) domiciliation, (2) account management, (3) administration, (4) accounting, (5) VAT compliance, (6) CIT compliance and (7) transaction support services. BRE Europe receives fees for such services at no greater than market rates deemed competitive by the General Partner, and operates on a non-profit basis, i.e., the aggregate costs incurred by BRE Europe are allocated and charged to the individual entities to which services are provided based on

the type and level of services provided. Blackstone endeavors to allocate fees and expenses associated with BRE Europe fairly and equitably, which allocation involves certain subjective assumptions based on actual data pertaining to the services provided. The General Partner believes that this method results in a fair and equitable allocation of expenses.

*Equity Office Properties.* Portfolio Vehicles are expected to engage Equity Office Properties, an operating platform owned by Blackstone Real Estate Partners V L.P. and BREP VI, to provide property management services and corporate support services with respect to certain office properties in the U.S.

*Fidere.* Portfolio Vehicles are expected to engage Fidere, an operating platform owned by BREP Europe IV and BREP VII, to provide property management services with respect to certain European multifamily residential real estate assets.

*LivCor.* Portfolio Vehicles are expected to engage LivCor, an operating platform owned by BREP VII, to provide corporate support services with respect to certain multi-family properties in the U.S.

*Logicor.* Portfolio Vehicles are expected to engage Logicor, an operating platform owned by BREP VII and Blackstone Real Estate Partners Europe III L.P. (“BREP Europe III”), to provide management and leasing oversight and corporate services to European logistics assets.

*Multi Corporation.* Portfolio Vehicles are expected to engage Multi Corporation, an operating platform owned by Blackstone Real Estate Partners Europe IV L.P. (“BREP Europe IV”), BREP Europe III and BREP VII, to provide management and leasing oversight and corporate services to European retail assets.

With respect to transactions or agreements with portfolio companies (including, for the avoidance of doubt, long-term incentive plans), at times if unrelated officers of a portfolio company have not yet been appointed, Blackstone may negotiate and execute agreements between Blackstone and/or the Funds on the one hand, and the portfolio company or its affiliates, on the other hand, which could entail a conflict of interest in relation to efforts to enter into terms that are arm’s length. Among the measures Blackstone may use to mitigate such conflicts is to involve outside counsel to review and advise on such agreements and provide insights into commercially reasonable terms.

In addition, it is possible that certain portfolio companies of the Other Blackstone Funds, REITs or real estate companies in which the Other Blackstone Funds have an interest will compete with the Funds for one or more investment opportunities.

***Conflicting Fiduciary Duties to Debt Funds.*** It is expected that Blackstone will structure certain investments through one or more mezzanine or other investment funds, structured vehicles or other collective investment vehicles primarily investing in senior secured loans, distressed debt, subordinated debt, high-yield securities, CMBS and other similar debt instruments managed by affiliates of Blackstone (collectively, “Debt Funds”). It is expected that the Debt Funds will be offered the opportunity to participate in the debt tranche of an investment allocated to the Funds. As investment advisor to both the Funds and the Debt Funds, Blackstone owes a fiduciary duty to the Debt Funds as well as to the Fund. If the Debt Funds purchase high-yield securities or other debt instruments of a portfolio company owned by the Funds (or if a Fund makes or has an investment in or, through the purchase of debt obligations becomes a lender to, a company or property in which a Debt Fund or an Other Blackstone Fund (e.g., BREDS or BXMT) has a mezzanine or distressed debt investment), Blackstone will face a conflict of interest in respect of the advice it gives to, or the decisions made with regard to, the Debt Funds, such Other Blackstone Funds and the applicable Fund (e.g., with respect to the terms of such high-yield securities or other debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

***Other Blackstone Funds; Allocation of Investment Opportunities.*** Through Other Blackstone Funds, Blackstone currently invests and plans to continue to invest third-party capital in a wide variety of investment opportunities in the United States, Europe, Asia, Latin America and elsewhere. Although the Funds will generally serve as Blackstone’s primary vehicles for control oriented “opportunistic” real estate investments, in certain circumstances, not all of the opportunities within the mandate of the Funds will be presented to the Funds. Each Fund’s Partnership Agreement sets forth certain exceptions that allow specified types of investment opportunities that might otherwise fall within a Fund’s investment objectives or strategy to be allocated to Other Blackstone Funds. Some of these exceptions are subject to reasonable interpretation and require BREDA to exercise its good faith judgment in determining whether an investment opportunity should be allocated to one of the Funds or an Other Blackstone Fund. In particular, investment opportunities with respect to which Blackstone makes a good faith determination that such opportunity is not expected to yield returns on investment within the range of returns expected to be provided by the investments in which the Funds were organized to invest, based on the terms thereof and the information available relating to such opportunity at

the time of its evaluation by Blackstone may not be allocated to the Funds. Blackstone currently manages and will continue to manage, sponsor and close a variety of Other Blackstone Funds that have investment objectives and/or guidelines that overlap, in whole or in part, with those of the Funds.

To the extent any Other Blackstone Funds have investment objectives or guidelines that overlap with the Funds, in whole or in part, investment opportunities that fall within such common objectives or guidelines will generally be allocated among the Funds and such Other Blackstone Funds on a basis that the General Partner believes in good faith to be fair and reasonable, subject to (i) any applicable contractual provisions relating to the Funds and such Other Blackstone Funds, (ii) the Funds and such Other Blackstone Funds having available capital with respect thereto, (iii) legal, tax, regulatory and other considerations and (iv) such other factors deemed relevant by the General Partner. Blackstone has established general guidelines for determining how such allocations are to be made, which, among other things, sets forth parameters regarding allocation for certain types of investments. The application of those guidelines may result in the Funds not participating (and/or not participating to the same extent) in certain investment opportunities that it would have otherwise. Some of the factors that are taken into account when making allocation decisions pursuant to the guidelines include: the sourcing of the investment, the investment focus and investment limitations of the Other Blackstone Funds, the size, types and other terms of the investment and other considerations deemed relevant by the General Partner in good faith.

Additionally, it can be expected that Blackstone will, from time to time, enter into arrangements or strategic relationships with third parties, including other asset managers, financial firms or other businesses or companies, which, among other things, provides for referral or sharing of investment opportunities. While it is possible that the Funds will, along with Blackstone itself, benefit from the existence of those arrangements and/or relationships, it is also possible that investment opportunities that would otherwise be presented to or made by the Funds would instead be referred (in whole or in part) to such third party.

The Funds' Partnership Agreements specify that Blackstone (which includes participation by Blackstone professionals and employees and Other Blackstone Funds or entities and other key advisors/relationships of Blackstone) will be permitted to make investments alongside the Funds up to a maximum specified percentage of the total investment amount. Such side-by-side investments do not bear fees and generally result in the Funds being allocated a smaller share of an investment than would otherwise be the case in the absence of such side-by-side investment

rights, although Blackstone may receive additional income in fees and performance-based compensation from Other Blackstone Funds in connection with such investments.

There are circumstances where an amount that would have otherwise been invested by a Fund is instead allocated to co-investors (who may or may not be investors of the Fund or investors of Other Blackstone Funds), and there is no guarantee for any Fund investor that it will be offered any co-investment opportunities. The allocation of co-investment opportunities is entirely discretionary on the part of the General Partner and it is expected that many investors who may have expressed an interest in co-investment opportunities may not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested. The General Partner will take into account various facts and circumstances deemed relevant by the General Partner in allocating co-investment opportunities, including, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, the General Partner's assessment of a potential co-investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction) and the General Partner's assessment of a potential co-investor's ability to commit to a co-investment opportunity within the required timeframe of the particular transaction. Additional considerations may also include, among others and without limitation, the size of investor commitments to the Fund, Other Blackstone Funds and strategic third party investors, whether a potential co-investor has a history of participating in co-investment opportunities with Blackstone, the size of the potential co-investor's interest to be held in the underlying portfolio company as a result of the Fund's investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in the Fund), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of Blackstone, the Fund, or other co-investments and/or Other Blackstone Funds, and such other factors that Blackstone deems relevant under the circumstances. In particular, Blackstone may agree with investors (including third party investors and investors in the Fund) to more favorable rights with respect to co-investment opportunities, and to the extent any such arrangements are entered into, they may result in fewer co-investment opportunities being made available to investors.

In the event break-up or topping fees are paid in connection with a transaction that is not ultimately consummated, co-investment vehicles that invest alongside the Funds will generally not be allocated any share of such break-up or topping fees; similarly, such co-investment

vehicles generally do not bear their share of broken deal expenses for unconsummated transactions.

***Blackstone's Relationship with Pátria.*** Blackstone owns 40% of the equity interests in Pátria Investimentos Ltd. ("Pátria"), a leading Brazilian alternative asset manager and advisory firm. Pátria's alternative asset management businesses include the management of private equity funds, real estate funds, infrastructure funds and hedge funds (e.g., a multi-strategy fund and a long/short equity fund). Each of Blackstone's and Pátria's respective investment funds continues to pursue investment opportunities in accordance with their existing mandates. While it is not expected that there will be material overlap between the Funds' investment program and Pátria's investment activities, there may be instances where appropriate investment opportunities will be shared with (or allocated to) Pátria. Therefore, there may be opportunities available to Pátria that are not shared with the Funds, and there may be opportunities available to the Funds that are shared with one or more Pátria funds. Blackstone generally expects, with respect to certain types of investments in Brazil otherwise suitable for the Funds, to permit such investments to be shared with and/or pursued by Pátria, which may be on a priority basis and may result in the Funds not participating in any such investments or participating therein to a lesser extent. In addition, the Funds may invest in companies or other entities in which Pátria sponsored investment funds have or are concurrently making a different investment (e.g., an equity investment vs. a debt investment) at the time of such Fund's investment, and investment funds that have been or may be formed by Pátria may invest in different securities of companies or other entities in which a Fund has made an investment. In such situations, the Fund and such other Pátria sponsored investment funds (and therefore Blackstone through its indirect minority interest in Pátria) may have conflicting interests (e.g., over the terms of their respective investments).

***Other Real Estate Funds.*** Blackstone reserves the right to raise additional real estate investment funds or vehicles ("Other Real Estate Funds"), including opportunistic real estate funds, including successors to the Funds, the BPP Funds, dedicated managed accounts, investments suitable for lower risk, lower return funds or higher risk, higher return funds, real estate mezzanine funds, real estate trading vehicles, mortgage REITs, publicly-listed REITs primarily making controlling investments in the core+ investment space, real estate funds primarily making investments in a single sector of the core+ real estate investment space (e.g., office, industrial, retail, or multifamily), real estate funds primarily making non-controlling investments in public and private debt and equity securities and/or investment funds all of which have the same or similar investment objectives as those of the Funds, in each case, including such Other Real Estate Fund's related vehicles and successors thereto. The closing and/or management of

such Other Real Estate Funds will result in the reallocation of Blackstone personnel, including reallocation of existing real estate professionals, to such Other Real Estate Funds. In addition, potential investments that are suitable for the Funds may be directed (in whole or in part) toward such Other Real Estate Funds.

**Joint Venture Partners.** The Funds have and may from time to time enter into one or more joint venture arrangements with strategic partners that have significant expertise in a particular segment of the real estate industry (“Joint Venture Partners”). Investments made with Joint Venture Partners may involve carried interests and/or other fees payable to such Joint Venture Partners (as determined by the General Partner in its sole discretion).

**Service Providers.** Certain advisors and other service providers (or their affiliates) (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, title agents and investment or commercial banking firms) to the Funds, Blackstone and/or certain entities in which the Funds have an investment also provide goods or services to or have business, personal, financial or other relationships with Blackstone, its affiliates and portfolio companies. Such advisors and service providers may be investors in the Funds, affiliates of the General Partner, sources of financing and investment opportunities or co-investors or commercial counterparties or entities in which Blackstone and/or Other Blackstone Funds have an investment, and payments by the Funds and/or such portfolio companies may benefit Blackstone and/or such Other Blackstone Funds. Additionally, certain employees of BREa and the Real Estate Group have family members or relatives employed by such advisors and service providers. BREa and/or its affiliates also provide administrative services to the Funds for a fee. These relationships may influence Blackstone, the General Partner and/or BREa in deciding whether to select, recommend or create such an advisor or service provider to perform services for the Funds or a portfolio company (the cost of which will generally be borne directly or indirectly by the Funds). Notwithstanding the foregoing, transactions relating to the Funds that require the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider’s provision of certain investment-related services and research that the General Partner believes to be of benefit to the Funds.

Advisors and service providers, or their affiliates, often charge different rates or have different arrangements for different types of services. With respect to service providers, for example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types

of services used by the Funds and/or Portfolio Vehicles are different from those used by Blackstone and its affiliates, BREa or its affiliates may pay different amounts or rates than those paid by the Funds and/or Portfolio Vehicles. However, BREa and its affiliates have a longstanding practice of not entering into any arrangements with advisors or service providers that could provide for lower rates or discounts than those available to the Funds and/or Portfolio Vehicles for the same services.

Blackstone-affiliated service providers, which are generally expected to receive competitive market rate fees (as determined by the General Partner) with respect to certain investments, include, without limitation:

*BPM.* Blackstone Property Management (“BPM”) is a Blackstone affiliate that provides property management, leasing oversight and development management services to certain of the Funds’ investment properties primarily located in the United Kingdom and continental Europe and BPM receives fees for such services at competitive market rates as confirmed by the General Partner from time to time. These fees do not offset Management Fees payable by Fund investors.

*COE.* The Blackstone Center of Excellence, located in Gurgaon, India (the “COE”) is a captive center of resources administered by ThoughtFocus Technologies LLC (“ThoughtFocus”), an independent firm in which Blackstone holds a minority position and participates as a member of the board. The COE is expected to perform services for the Funds, such as Fund administrative services, data collection and management services, and technology implementation and support services, some of which may be paid for by the Fund. Blackstone, through its interest in ThoughtFocus, receives an indirect benefit resulting from the Funds’ payments for such services. These fees do not offset Management Fees payable by Fund investors.

*Equity Healthcare.* Equity Healthcare LLC (“Equity Healthcare”) is a Blackstone affiliate that negotiates with providers of standard administrative services and insurance carriers for health benefit plans and other related services for cost discounts, quality of service monitoring, data services and clinical consulting. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms from providers that are believed to be more favorable than those that the portfolio companies could obtain for themselves on an individual basis. The payments made to Blackstone in connection with Equity Healthcare, group purchasing, insurance and benefits management will not offset the Management Fee payable by investors.

*Intertrust Group.* In 2013, Blackstone acquired Intertrust Group. From time to time, Intertrust Group is expected to perform corporate and trust services on an arms-length basis for the Funds, intermediate entities or Portfolio Vehicles. The retention of Intertrust Group as a service provider may give rise to actual or potential conflicts of interest such as those described above.

*LNLS.* Blackstone has established a joint venture with an existing leading national title agent to create a new title company named Lexington National Land Services (the “Title Company” or “LNLS”). While the mandate of the Title Company is U.S.-focused, Blackstone may, in the future, expand the title agency to non-U.S. jurisdictions, including Europe. The Title Company will not perform services in non-regulated states for the Funds, unless in the context of a portfolio transaction including properties in rate regulated states or when a third party is paying all or a material portion of the premium. The Title Company acts as an agent for certain large underwriters in issuing title policies for investments by Other Blackstone Funds as well as non-Blackstone investments (where applicable) and it is anticipated that if LNLS is expanded to non-U.S. jurisdictions, such title agent would act similarly. The Title Company and any such title agents place title insurance and provide title services for property owned by the Funds and/or portfolio companies of the Funds and/or Other Blackstone Funds, and, as a result, Blackstone, through its interest in such entity, receives (or will receive) fees and compensation resulting from the Funds and their investments. These fees do not offset Management Fees payable by Fund investors. As a result, while Blackstone believes that any such affiliated title agent, when engaged, generally provides (or will provide) services equal to or better than those provided by third parties (even in jurisdictions where insurances rates are statutorily determined), there is an inherent conflict of interest that may incentivize Blackstone to engage its affiliated service provider over a third party.

BPM and/or one or more other such service providers may become available for acquisition by the Funds as an investment (as a single asset or as part of an operating platform). In such transactions, Blackstone, one or more Portfolio Vehicles and/or Other Blackstone Funds will be a seller to the Funds and/or participate alongside the Funds as a buyer. The General Partner and BREA are expected to establish a valuation methodology in relation to the acquisition of any such service provider. In addition, before entering into any such transaction with respect to BPM and/or any such other service provider, it is anticipated that BREA and the General Partner will

obtain such consents that may be required under the Advisers Act or other applicable laws or regulations.

Blackstone will from time to time hold equity or other investments in companies or businesses (even if they are not “affiliates” of Blackstone) that provide services to or otherwise contract with portfolio companies. Blackstone has in the past entered (and can be expected in the future to enter) into relationships with companies in the information technology and related industries whereby Blackstone acquires an equity or similar interest in such company. In connection with such relationships, Blackstone may also make referrals and/or introductions to portfolio companies (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting Blackstone that are tied or related to participation by portfolio companies). The Funds and the investors will not share in any fees or economics accruing to Blackstone as a result of these relationships and/or participation by portfolio companies.

In addition to competitive market rate fees, certain affiliated service providers will receive a management promote and/or an incentive fee.

***Investments in Which Other Blackstone Funds Have a Different Principal Investment; Co-Investment.*** From time to time, certain Funds will also co-invest with Other Blackstone Funds, investors in the Funds and/or other third parties in investments that are suitable for both the Funds and such Other Blackstone Funds. The Funds may initially consummate an investment intended as a co-investment as described herein and syndicate such co-investment to one or more co-investors (in accordance with the terms of the applicable Partnership Agreement within ninety (90) days of consummating such co-investment at a price equal to the sum of (i) such Fund’s acquisition cost for the transferred portion of such co-investment, including any allocable expenses relating thereto (based on the amount syndicated relative to the amount retained by such Fund) and (ii) interest on such amount from the closing date of such co-investment by such Fund through the transfer date to such certain participating persons at a rate at least equal to (A) such Fund’s cost of funds for the period of time during which such transferred portion was funded by borrowing by such Fund or (B) only to the extent such Fund’s acquisition of such co-investment is funded by capital contributions and not, for the avoidance of doubt, borrowings, 10% per annum, prorated based upon the actual number of days elapsed from the date such Fund acquired such co-investment through the date of such syndication) and, by executing a subscription agreement for interests in the relevant Fund, an investor consents to all such transactions to the fullest extent permitted by law). To the extent a Fund holds securities that are different (including with respect to their relative seniority) than those held by such Other

Blackstone Funds, the General Partners and their affiliates may be presented and/or may have no rights (including, without limitation, voting rights) with decisions when the interests of the funds are in conflict. For example, if a Fund makes or has an equity investment in a portfolio company in which an Other Blackstone Fund has an investment, or if an Other Blackstone Fund (e.g., BREDS and/or BXMT), through the purchase of debt obligations or otherwise, becomes a lender to a portfolio company in which a Fund has a debt or equity investment, or if a Fund and an Other Blackstone Fund participate in separate tranches of a fundraising with respect to a portfolio company, Blackstone will generally have conflicting loyalties between its duties to the Fund and to other affiliates. In that regard, actions may be taken for the Other Blackstone Funds that are adverse to the Fund. In addition, there may be circumstances where Blackstone agrees to implement certain procedures to ameliorate conflicts of interest which may involve a forbearance of rights relating to the Fund or an Other Blackstone Fund, such as where Blackstone may cause an Other Blackstone Fund to decline to exercise certain control- and/or foreclosure-related rights with respect to a Portfolio Vehicle or portfolio company (e.g., following the vote of other third party lenders). There can be no assurance that any conflict will be resolved in favor of the Funds. Conflicts can also be expected to arise in determining the amount of an investment, if any, to be allocated among potential investors and the respective terms thereof. There can be no assurance that the return on the Funds' investment will be equivalent to or better than the returns obtained by the other affiliates participating in the transaction. In addition, it is possible that in a bankruptcy proceeding a Fund's interests may be subordinated or otherwise adversely affected by virtue of such Other Blackstone Funds' involvement and actions relating to its investment. In connection with negotiating senior loans and bank financings in respect of Blackstone-sponsored transactions, from time to time Blackstone will obtain the right to participate on its own behalf (or on behalf of vehicles that it manages) in a portion of the senior term financings with respect to such Blackstone-sponsored transactions on an agreed upon set of terms. Blackstone does not believe that the foregoing arrangements have an effect on the overall terms and conditions negotiated with the arrangers of such senior loans.

***Investments in Portfolio Companies Alongside Other Blackstone Funds.*** Because of the opportunistic and flexible nature of the investment strategy of certain Funds, such Funds will from time to time co-invest with Other Blackstone Funds (including co-investment or other vehicles in which Blackstone or its personnel invest and that co-invest with such Other Blackstone Funds) in investments that are suitable for both one or more of the Funds and such Other Blackstone Funds. Even if the Funds and any such Other Blackstone Funds in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with

respect to price and timing) for the Funds and such other funds and vehicles may not be the same. Additionally, the Funds and such Other Blackstone Funds will generally have different terms, investment periods, and/or investment limitations and Blackstone, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. To the extent that the Funds hold interests that are different (or more senior) than those held by such Other Blackstone Funds, the General Partners and the BREa may be presented with decisions involving circumstances where the interests of such Other Blackstone Funds are in conflict with those of the Funds. In particular, BREa may be presented with such conflicts in light of its role as investment advisor to one Fund and another Fund. Furthermore, it is possible a Fund's interest may be subordinated or otherwise adversely affected by virtue of such Other Blackstone Fund's involvement and actions relating to its investment. See also **Item 10 - Cross-Guarantees and Cross-Collateralization** above.

**Valuation Matters.** The fair value of all investments or of property received in exchange for investments will be determined by the General Partner in accordance with the terms of the Partnership Agreements. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of such investments will be determined by the General Partner in accordance with procedures set forth in the applicable Partnership Agreement. The valuation of investments will affect the amount and timing of the General Partner's carried interest and, under certain circumstances and following the applicable Fund's investment period, the amount of Management Fees payable to BREa. The valuation of investments may also affect the ability of Blackstone to raise successor funds to the Funds. As a result, there may be circumstances where the General Partner is incentivized to determine valuations that are higher than the actual fair value of investments.

**Side Letters and Agreements.** The General Partners, BREa and its affiliates have entered into and will continue to enter into "side letters" or other similar agreements with certain investors in connection with their admission to the Funds without the approval of any other investor, which would have the effect of establishing rights under or altering or supplementing the terms of the applicable Partnership Agreement with respect to such investors in a manner more favorable to such investors than those applicable to other investors in the Funds. Such rights or terms in any such side letter or other similar agreement may include without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) the General Partner's agreement to extend certain information rights or additional reporting

to such investor, including, without limitation, to accommodate special regulatory or other circumstances of such investor, (iii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the General Partner for the benefit of lenders or other persons extending credit to or arranging financing for the Funds, (iv) consent of the General Partner to certain transfers by such investor or other exercises by the General Partner of its discretionary authority under the applicable Fund's Partnership Agreement for the benefit of such investor, (v) restrictions on, or special rights of such investor with respect to the activities of the General Partner, (vi) withdrawal rights (subject to the consent of the General Partner) due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (viii) economic arrangements, (ix) matters regarding such investor's right to participate in co-investment opportunities, (x) matters regarding such investor's (or its affiliates') interest in providing debt financing to the Funds or their portfolio companies or (xi) additional obligations, and restrictions of the Funds with respect to the structuring of any investment (including with respect to alternative investment vehicles). Such side letters may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Side letters generally will not provide for reduction in Management Fees or performance-based compensation. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor's assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding any other provision of the applicable Fund's Partnership Agreement. A copy of the applicable provisions of each side letter (without duplication) that is entered into will be available upon request and will be distributed in connection with the most-favored-nations side letter election process that will take place following the final closing. Moreover, notwithstanding the fact that an investor may have such a most-favored-nations provision in its side letter, such investor will not, notwithstanding the terms of such side letter provision, have the right to elect any rights or benefits: (a) unless such investor agrees to be bound by any obligations, restrictions or other terms related to such rights or benefits that have been agreed to with the investor initially granted such rights or benefits; (b) contained in any side letter entered into in connection with the admission of an investor and one or more of its affiliates to the applicable Fund and one or more other investment vehicles and/or managed accounts sponsored or advised by Blackstone pursuing a materially different investment strategy or diversified investment program pursuant to an integrated overall arrangement with Blackstone, which side letter, for greater certainty, may remain confidential and not shared with any other investors; (c) that relate to appointing a representative or non-voting observer to the L.P. Advisory Committee; (d) that relate to a waiver of the Servicing Fee,

in whole or in part, with respect to an investor; (e) established in favor of another investor by reason of the fact that such other investor is subject to any laws, rules, regulations or policies to which the investor is not also subject, (f) that are personal to another investor based solely on the place of organization or headquarters of, organizational form of, or other particular restrictions or considerations applicable to, such investor and/or (g) granted to an affiliate of Blackstone (including, for this purpose, any Other Blackstone Fund and/or charity, foundation or endowment or other similar program (including any related entities, vehicles and/or accounts) associated with Blackstone), Blackstone's senior advisors, operating partners and/or its current or former employees, partners and affiliates.

In addition, Blackstone has entered, and it can be expected that Blackstone in the future will enter, into agreements with investors involving an investor's overall relationship with Blackstone, including one or more strategies in addition to the Fund's strategy with terms and conditions applicable to such investor and its investment in multiple Blackstone strategies that would not apply to such investor's investment in the Funds. Such an agreement would often involve an investor agreeing to make a capital commitment to multiple Blackstone funds, one or more of which may include the Funds. Investors will not receive a copy of the agreement memorializing such an investment program (even if in the form of a side letter) and will be unable to elect any such rights or benefits granted to such multi-strategy investor. Specific examples of such additional rights and benefits include, among others, specialized reporting, discounts on and/or reimbursement of management fees and/or carried interest applied to some or all of the relevant investment program and/or investment vehicles (including, as applicable, the Funds), secondment of personnel from the investor to Blackstone (or vice versa), as well as targeted amounts for co-investments alongside Blackstone funds (including, without limitations, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees to be charged with respect thereto)), which may include investments made by the Funds. Any such arrangements will result in fewer co-investment opportunities (or reduced allocations) being made available to investors. See also **Item 5** above.

It is also expected that Blackstone will from time to time confirm factual matters to incoming investors in the Funds, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to the Funds' and/or Blackstone's activities pertaining thereto in one or more respects. Any such statements, confirmations or acknowledgements will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most favored nations" process or election by investors, and as a result investors will not typically receive notice thereof or copies of the documentation (if any) in

which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Funds or that such arrangements will not influence Blackstone's activities or the operation of the Funds.

**Indemnification.** The Funds will be required to indemnify the General Partner, BREa, their affiliates, and each of their respective members, officers, directors, employees, agents, partners, and certain other persons who serve at the request of the General Partner or BREa on behalf of the Funds for liabilities incurred in connection with the affairs of the Funds. Members of the applicable Fund's L.P. Advisory Committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the respective Partnership Agreement of each Fund. Such liabilities may be material and have an adverse effect on the returns of the investors. For example, in their capacity as directors of portfolio companies, the partners, managers, or affiliates of the General Partner may be subject to derivative or other similar claims brought by security holders of such companies. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unpaid capital commitments of the investors. If the assets of the Funds are insufficient, the General Partner may recall distributions previously made to the investors, subject to certain limitations set forth in the respective Partnership Agreement of each Fund. It should be noted that the General Partner may cause the Funds to purchase insurance for the Funds, the General Partner, BREa and their employees, agents and representatives. In addition, because the General Partner may cause the Funds to advance the costs and expenses of an indemnitee pending the outcome of the particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's entitlement to indemnification), there may be periods where the Funds are advancing expenses to an individual or entity with whom the Funds are not aligned or are otherwise an adverse party in a dispute. Moreover, in its capacity as General Partner of the Funds, the General Partner will, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation so long as the General Partner (and/or its legal counsel) have determined that such disqualifying conduct did not occur.

**Diverse Investor Group.** Investors in the Funds have conflicting investment, tax and other interests with respect to their investments in such Funds and with respect to the interests of investors in Other Blackstone Funds that may participate in the same investments as the Funds'. The conflicting interests of individual investors with respect to other investors and investors in

other investment vehicles would generally relate to or arise from, among other things, the nature of investments made by the Funds and such other investment vehicles, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by BREa, including with respect to the nature or structuring of investments, which may be more beneficial for one or more (but not all) investors than for another investor, especially with respect to investors' individual tax situations. In addition, the Funds may make investments that may have a negative impact on related investments made by the investors in separate transactions. In selecting and structuring investments appropriate for the Funds, the General Partners and BREa will consider the investment and tax objectives of the Fund and its investors as a whole (and those of investors in other investment vehicles managed or advised by Blackstone that participate in the same investments as the Funds), not the investment, tax or other objectives of any investor individually. Additionally, the General Partner may elect to exclude certain investors from particular investments for legal or regulatory reasons applicable to any such investment, in which case non-excluded investors will be allocated a greater proportionate interest in such investment. In addition, certain investors in a Fund may also be investors in Other Blackstone Funds, including co-investment vehicles that may invest alongside one or more of the Funds in one or more investments. Investors may also include affiliates of Blackstone, such as Other Blackstone Funds, charities or foundations associated with Blackstone personnel and/or current or former Blackstone employees, Blackstone's senior advisors and/or operating partners and any such affiliates, funds or persons may also invest through the vehicles established in connection with Blackstone's side-by-side co-investment rights. It is also possible that a Fund or a Fund's portfolio companies may be counterparties (such counterparties dealt with on an arm's-length basis) or participants in agreements, transactions or other arrangements with an investor in a Fund or an affiliate of such an investor. Such transactions may include agreements to pay performance fees to operating partners in connection with a Fund's investment therein, which will reduce such Fund's returns and will not necessarily be subordinated to the return of investors' capital contributions. Such investors described in the previous sentences may therefore have different information about Blackstone and the Funds than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and the General Partner and its affiliates may not be motivated to act solely in accordance with its interests relating to the Fund. Similarly, not all investors monitor their investments in vehicles such as the Funds in the same manner. For example, certain investors may periodically request from the General Partner information regarding a Fund and its investments and/or portfolio companies that is not otherwise set forth in (or has yet to be set forth) in the reporting and other information required to be delivered to all investors, for instance, pre-quarterly reporting

valuation. In such circumstances, the General Partner may provide such information to such investor, but because it has provided such information upon request by one or more investors does not mean the General Partner will be obligated to affirmatively provide such information to all investors (although the General Partner will generally provide the same information upon request and treat investors equally in that regard). As a result, certain investors may have more information about a Fund than other investors, and the General Partner will have no duty to ensure all investors seek, obtain or process the same information regarding the Fund and its investments and/or portfolio companies.

***Other Trading and Investing Activities.*** Certain Other Blackstone Funds, including but not limited to BREDS, BXMT and the funds managed by GSO Capital Partners LP, GSO Capital Advisors LLC and GSO Debt Funds Management LLC and any successor funds thereto, may invest in securities of publicly traded companies which are actual or potential investments of the Funds. The trading activities of such Other Blackstone Funds may differ from or be inconsistent with activities which are undertaken for the account of the Funds in such securities or related securities. In addition, the Funds may not pursue an investment in a portfolio company as a result of such trading activities by Other Blackstone Funds.

***Regulatory Risk.*** Blackstone is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which it operates around the world. These authorities have regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are also empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel, changes in policies, procedures or disclosure or other sanctions, including censure, the issuance of cease-and-desist orders, the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships or the commencement of a civil or criminal lawsuit against Blackstone or its personnel. Moreover, the SEC has specifically focused on private equity. In connection with that focus, the SEC's list of examination priorities includes, among other things, private equity firms' collection of fees and allocation of expenses, their marketing and valuation practices, allocation of investment opportunities and other conflicts of interests. Blackstone is regularly subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which Blackstone routinely cooperates and, in the current environment, even historical practices that have been previously examined are being revisited. Even if an investigation or

proceeding did not result in a sanction or the sanction imposed against Blackstone or its personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm Blackstone and the Funds.

### **Other Financial Industry Affiliations**

BREA is an affiliate of the following entities:

<b>Broker/Dealers</b>	
Blackstone Advisory Partners L.P. (“BAP”)	Provides a variety of limited investment banking services
FEF Distributors LLC*	Serves as distributor and principal underwriter to the First Eagle mutual funds and private investment funds
<b>Blackstone Real Estate Investment Advisors</b>	
Blackstone Property Advisors L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors Europe L.P.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Income Advisors L.L.C.	Provides investment advisory services to one or more registered closed-end real estate investment funds
Blackstone Real Estate Advisors International L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors IV L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Advisors V L.P.	Provides investment advisory services to various private real estate investment funds

Blackstone Real Estate Special Situations Advisors L.L.C.	Provides investment advisory services to various private real estate investment funds
Blackstone Real Estate Special Situations Advisors (Isobel) L.L.C.	Provides investment advisory services to private investment funds and accounts which invest primarily in public and private debt and other interests of real estate assets and real estate-related holdings
BXMT Advisors L.L.C.	Provides investment advisory services to a REIT and other investment vehicles
CT High Grade Mezzanine Manager, LLC	Provides investment advisory services to assets owned by a third party insurance company
CT High Grade Partners II Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT Investment Management Co., LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT Large Loan Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
CT OPI Manager, LLC	Provides investment advisory services to real estate debt and securities private funds, managed accounts and CDOs focused on loans and securities backed by commercial real estate assets
<b>Other Blackstone Investment Advisors</b>	
Bayview Asset Management, LLC*	Provides investment advisory services focusing on real estate backed loans and mortgage securities

Blackstone Alternative Asset Management L.P.	Manages a series of private and closed-end funds engaged in multi-manager investment programs ( <i>i.e.</i> , fund of hedge funds)
Blackstone Alternative Investment Advisors L.L.C.	Provides investment advisory services to open end mutual funds
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Clean Technology Advisors L.L.C.	Provides investment advisory services to private investment funds specializing in the cleantech energy sector
Blackstone Communications Advisors I LLC	Provides investment advisory services to a private investment fund specializing in communications-related private equity investments
Blackstone Core Equity Advisors L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Debt Advisors L.P.	Provides investment advisory services to private investment funds specializing in debt securities
Blackstone Management Partners L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Management Partners IV L.L.C.	Provides investment advisory services to various private equity funds
Blackstone Mezzanine Advisors LP	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Multi-Asset Advisors L.L.C.	Provides investment advisory services to various private investment funds focusing on investments across Blackstone's private equity, real asset, credit, hedge fund and opportunistic alternative asset management strategies

Blackstone Senfina Advisors L.L.C.	Provides investment advisory services to private investment funds which allocate capital among unaffiliated portfolio managers and invest capital directly
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C.	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
Blackstone Tactical Opportunities Advisors L.L.C.	Provides investment advisory services to multi-discipline, multi-asset class private funds
Blackstone Treasury Solutions Advisors L.L.C.	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
Blackstone / GSO Debt Funds Europe Limited	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
Blackstone / GSO Debt Funds Management Europe Limited	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
Blackstone / GSO Debt Funds Management Europe II Limited	Provides investment advisory services to a number of debt focused private investment funds
BSCA Advisors L.L.C.	Provides investment advisory services to certain co-investment vehicles relating to funds managed by Blackstone Strategic Capital Advisors L.L.C.
First Eagle Investment Management, LLC*	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals

GSO Capital Advisors LLC	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
GSO Capital Advisors II LLC	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
GSO Capital Partners International LLP	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
GSO Capital Partners LP	Provides investment advisory services to a number of debt focused private investment funds and separately managed accounts
GSO / Blackstone Debt Funds Management LLC	Provides investment advisory services to a number of debt-focused private investment funds, closed-end funds and separately managed accounts
Strategic Partners Fund Solutions Advisors L.P.	Provides investment advisory services to a number of pooled investment and custom vehicles operating as private investment funds
<b>Foreign Sub-Advisors</b>	
Blackstone (Shanghai) Equity Investments Management Co. Ltd.	Provides investment advisory services to a foreign private investment fund with solely non-US investors
Blackstone (Shanghai) Equity Investments Management Co. Ltd. – Beijing Branch Office	Provides investment advisory services to a foreign private investment fund with solely non-US investors
The Blackstone Group Spain SLU	Spain investment advisory firm, which serves as a sub-advisor to the registrant
Blackstone Singapore Pte. Ltd.	Singapore investment advisory firm, which serves as a sub-advisor to the registrant

Blackstone Advisors India Private Limited	India investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group (Australia) Pty Limited	Australian investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group (HK) Limited	Hong Kong investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group International Partners LLP	U.K. investment advisory firm, which serves as a sub-advisor to the registrant
The Blackstone Group Japan K.K.	Japanese investment advisory firm, which serves as a sub-advisor to the registrant
BREA Brasil Consultoria Imobiliaria Ltda.	Brazilian investment advisory firm, which serves as a sub-advisor to the registrant
BX Real Estate Canada ULC	Canadian investment advisory firm, which serves as a sub-advisor to the registrant
BX Real Estate Mexico, S.C.	Mexican investment advisory firm, which serves as a sub-advisor to the registrant
<b>Commodity Trading Advisors and Commodity Pool Operators</b>	
Blackstone Alternative Asset Management L.P.	Manages a series of private funds engaged in multi-manager investment programs (i.e., funds of hedge funds)
Blackstone Alternative Investment Advisors LLC	Provides investment advisory services to open end mutual funds
Blackstone Alternative Solutions L.L.C.	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities

Blackstone Senfina Advisors L.L.C.	Provides investment advisory services to private investment funds which allocate capital among unaffiliated portfolio managers and invest capital directly
Blackstone Strategic Alliance Advisors L.L.C.	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C.	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
Blackstone Treasury Solutions Advisors L.L.C.	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
First Eagle Investment Management, LLC*	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals
<b>Insurance Entities</b>	
Lexington National Land Services**	Places title insurance and provide title services for real property owned by various funds and/or their portfolio entities and third parties
Lombard International Assurance S.A.***	Company specializing in global wealth structuring using life assurance
Rothsay Life Plc***	Life insurer specializing in bulk annuities and other de-risking solutions for defined benefit pension schemes and insurance companies

\*Portfolio company of affiliated private equity fund

\*\*Joint venture between Blackstone and an existing title agent

\*\*\*Portfolio company of affiliated investment funds

Note: BREa manages a number of private investment vehicles, which are listed in ADV Part 1, Schedule D, Section 7.B(1).

Various management personnel are registered with the Blackstone broker-dealer, BAP, which serves as placement agent to the Funds but is not compensated for such services. We do not believe these registrations, in and of themselves, create conflicts for our investors.

**A more detailed description of applicable conflicts of interest is set forth in the PPM of each Fund.**

## Item 11 – Code of Ethics

BREA is governed by the Blackstone Code of Ethics (the “Code of Ethics”). The Code of Ethics governs a number of potential conflicts of interest which exist when providing advisory services to the investors in the Funds it manages. The Code of Ethics is designed to ensure that BREA meets its fiduciary obligation to BREA’s clients (or prospective clients) and to instill a culture of compliance within BREA. An additional benefit of the Code of Ethics is to detect and prevent violations of securities laws.

The Code of Ethics is distributed to each employee at the time of hire and annually thereafter, and it is available on Blackstone’s intranet website. BREA also supplements the Code of Ethics with ongoing monitoring of employee activity.

The Code of Ethics includes, among other items, the following:

- Requirements related to confidentiality;
- Limitations on, and reporting of, gifts and entertainment;
- Pre-clearance of political contributions;
- Pre-clearance and reporting of employee personal securities transactions;
- Pre-clearance of outside business activities; and
- Protection of persons who engage in “whistle blowing” activities from retaliation.

On an annual basis, Blackstone requires all employees to certify that they are in compliance with the Code of Ethics.

Blackstone offers many different products and services across its many businesses and there are several potential conflicts of interest which will from time to time arise. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for a list of investment related potential conflicts, including, in particular, “Other Blackstone Funds; Allocation of Investment Opportunities” describing conflicts related to allocation of investment opportunities among investment funds sponsored by Blackstone and co-investors. BREA has adopted policies and procedures reasonably designed to address such potential conflicts of interest.

BREA's related persons will from time to time have bought or sold, or will subsequently buy or sell, for their personal accounts, securities which are also purchased or sold for the account of our clients. BREA and its related personnel are subject to guidelines governing the ability to trade in personal accounts. The guidelines generally require that such personal securities transactions receive pre-clearance from the Blackstone Legal and Compliance Department. These guidelines are designed to comply with SEC requirements that registered investment advisors have a Code of Ethics. In addition, Blackstone has implemented certain policies and procedures (e.g., information walls) to restrict access to material non-public information. Blackstone's Code of Ethics is available for review upon request.

You may request a copy of Blackstone's Code of Ethics by contacting BREA's Chief Compliance Officer, Judy Turchin; (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

## Item 12 – Brokerage Practices

BREA does not generally trade in public securities (with the exception that it trades in public securities as part of or following an initial public offering (“IPO”) of securities issued by a portfolio company). In the event BREA executes a brokerage transaction for the Funds (e.g., trades in public securities as part of or following an IPO of a portfolio company), BREA will generally consider qualitative factors including, but not limited to, the broker’s reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker’s reputation and responsiveness to requests for trade data and other financial information.

## Item 13 – Review of Accounts

### *Review of Accounts*

Currently, the only accounts under the supervision of BREa are the Funds' accounts. The Funds' accounts and investment positions are monitored by BREa personnel on a regular and current basis. BREa might periodically review on an expedited basis the assets of a Fund following a unique occurrence in the financial industry or market generally.

Blackstone's Real Estate Group has one centralized Investment Committee that meets weekly to review and challenge investments and dispositions, as well as general portfolio composition, market conditions and potential conflicts. The Investment Committee discussions are led by the Global Head of Real Estate and the Chief Investment Officer. The Investment Committee includes all other Senior Managing Directors in the Real Estate Group, as well as senior executives of Blackstone, including the Chairman and CEO, and the President and COO. Blackstone manages its investments through proactive day-to-day asset management, as well as regular global asset reviews and quarterly valuation meetings. The Investment Committee process emphasizes a consensus-based approach to decision-making among the members.

### *Reports to Clients*

Investors in the Funds generally will receive written quarterly reports which will include capital balance and Fund performance statistics. Investors also will receive written annual audited financial statements for the Fund in which they are invested. BREa makes use of a website, BXAccess, available at [www.bxaccess.com](http://www.bxaccess.com), for the distribution of reports and other information to investors in the Funds.

Certain investors in the Funds may request additional information relating to the Funds and, to the extent such information is readily available or may be obtained without unreasonable effort or expense, BREa generally will provide such investors with the information requested. Investors that request and receive such information will consequently possess information regarding the business and affairs of the Funds that may not be known to other investors. As a result, certain investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

## Item 14 – Client Referrals and Other Compensation

BREA has distribution and/or placement agent arrangements with a number of unaffiliated third parties. In a typical distribution or placement agent arrangement, BREA agrees to pay a third-party solicitor for referring investors into a Fund. Typically, third-party solicitors will receive a portion of the Management Fee and/or performance fee paid to BREA (although other payment arrangements could exist). A prospective investor solicited by a third-party solicitor will be informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be ultimately borne by BREA (through a corresponding reduction in the Management Fee or otherwise), and none of the investors in the Funds will be subject to any increased or additional fees or charges. Third-party solicitors in the U.S. will be registered as broker-dealers with the SEC. Third-party solicitors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

BAP, an affiliate of BREA, serves as a placement agent to the Funds in the U.S. but is not compensated for such services. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.

## Item 15 – Custody

Rule 206(4)-2, as amended (the “Custody Rule”), of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), defines custody as holding client securities or assets or having any authority to obtain possession of them. The Funds generally have a BREa affiliate acting as general partner and, as such, BREa is deemed to have custody of the Funds’ assets. BREa generally complies with the Advisers Act custody rules by providing all investors in a Fund with audited financial statements within 120 days of the Fund’s fiscal year end.

With the exception of certain assets, which are defined as “privately offered securities” per the Custody Rule, each Fund asset is held in custody by a “qualified custodian” (as defined by the Custody Rule), an unaffiliated broker/dealer or bank, in the name of the applicable Fund.

## **Item 16 – Investment Discretion**

BREA maintains the authority to manage the Funds on a discretionary basis, subject to the overall supervision of the applicable General Partner, in accordance with the investment guidelines, objectives, limitations, other provisions and terms set forth in the Partnership Agreements and the Advisory Agreements.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

### **Proxy Policy**

Rule 206(4)-6 under the Advisers Act (the “Proxy Rule”) requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because BREa will generally be deemed to have authority to vote proxies relating to the companies in which its clients invest, BREa has adopted a set of policies and procedures (together, the “Policy”) in compliance with the Proxy Rule. To the extent that BREa exercises or is deemed to be exercising voting authority over its clients’ securities, the Policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, “proxies”) is exercised in a manner that serves the best interest of its clients, as determined by BREa in its discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, BREa may not always vote proxies in accordance with the Policy. In addition, many possible proxy matters are not covered in the Policy. Generally, BREa will vote proxies (i) in favor of management’s recommendation for the election of the board of directors and (ii) to approve the financial statements as presented by management.

From time to time, conflicts may arise between the interests of the investor, on the one hand, and the interests of BREa or its affiliates, on the other hand. If a material conflict is identified by the Chief Compliance Officer, Head of Asset Management and/or Chief Operating Officer, the Real Estate Group will determine whether voting in accordance with BREa’s proxy voting guidelines is in the best interests of its clients. BREa, in its sole discretion, may elect not to vote a proxy if unduly burdensome.

Investors may request a copy of the Policy and the voting records relating to proxies as provided by the Proxy Rule by contacting BREa’s Chief Compliance Officer, Judy Turchin; (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

## **Item 18 – Financial Information**

BREA has never been the subject of a bankruptcy petition at any time during the past ten years and is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its investors.

## **Item 19 – Requirements for State Registered Advisers**

This item is not applicable as BREX is not registered in any state.