

**Item 1. – Cover Page**

**Blackstone Property Advisors L.P.**

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as of August 25, 2016

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

If you have any questions about the contents of this Brochure, please contact Judy Turchin, Chief Compliance Officer for BPA, 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 BPA 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 Property Advisors L.P.”). The search results will provide you with both Parts 1 and 2A of BPA’s Form ADV.

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

**Blackstone**

## **Item 2. – Material Changes**

This Brochure has been updated since the last annual update on March 30, 2016 to reflect that BX REIT Advisors L.L.C., an affiliate of BPA, has been added as a “relying adviser.”

BPA, 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 BPA’s Chief Compliance Officer, Judy Turchin, at (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

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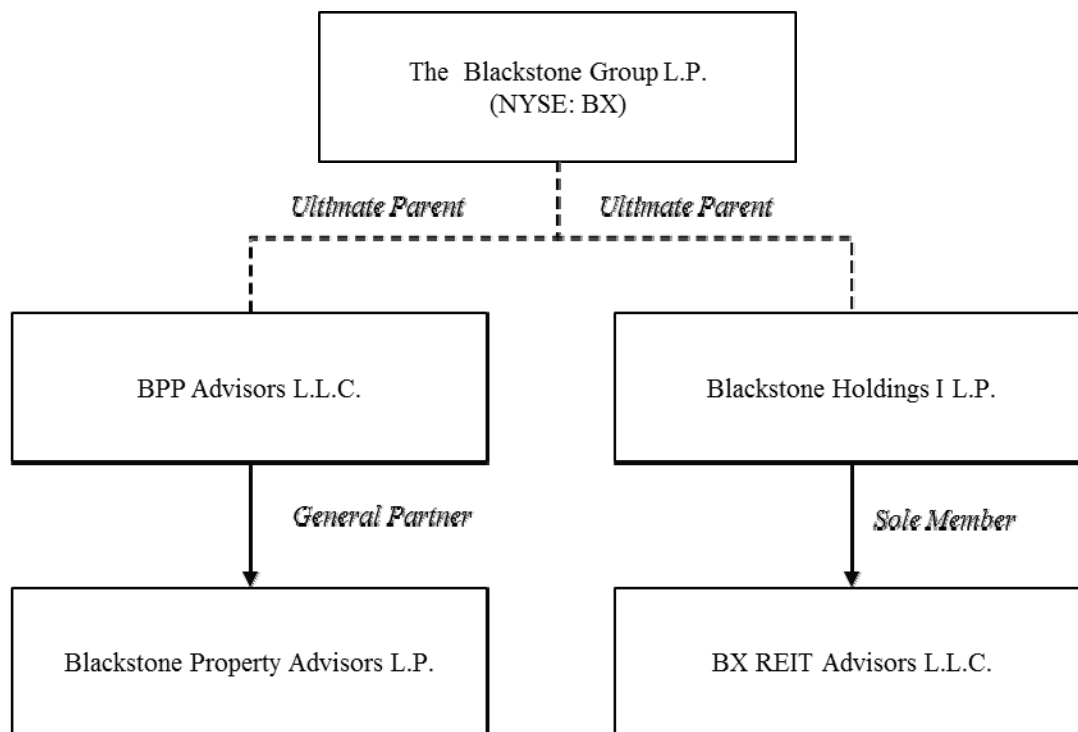
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**Item 4. – Advisory Business Overview:**

Blackstone Property Advisors L.P., a Delaware limited partnership (“BPA”), provides investment advisory services to Blackstone Property Partners L.P., a Delaware limited partnership, and its parallel funds and subsidiary investment vehicles (collectively, “BPP”), an open-ended private investment fund. BPA also provides investment advisory services to certain closed-ended private investment vehicles, including Blackstone Asia Property Partners – AD L.P. (“BAPP”), Blackstone Property Partners International – A, L.P. (“BPPI”), and Blackstone Property Partners Global-NJ, L.P. (“BPPG”), each a Cayman Islands exempted limited partnership, as well as to other single investor and pooled vehicles that have or may make separate investments in the core+ real estate space or co-invest alongside BPP (collectively with BAPP, BPPI and BPPG, the “Other Core+ Vehicles,” and, together with BPP, the “Funds”). One or more affiliates of BPA serve as general partners (the “General Partners”) of the Funds. BPA commenced operations in April 2014.

BX REIT Advisors L.L.C., a Delaware limited liability company (“BX REIT Advisors” and, together with BPA, the “Advisers”) and an affiliate of BPA, advises Blackstone Real Estate Income Trust, Inc., a non-traded “real estate investment trust” registered with the SEC (“BREIT Parent”) and BREIT Parent’s subsidiary, BREIT Operating Partnership L.P. (the “BREIT Operating Partnership” and, collectively with BREIT Parent, “BREIT”). BREIT is a corporation formed to invest primarily in stabilized income-oriented commercial real estate in the United States.

The ultimate parent of each of the Advisers 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. BPA and BX REIT Advisors are together filing a single Form ADV. BX REIT Advisors is relying on the registration of BPA and is not separately registering itself as an investment adviser with the SEC because BPA and BX REIT Advisors are under common control and collectively conduct a single advisory business. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.



As of June 30, 2016, BPA had regulatory assets under management of approximately \$11.99 billion on a discretionary basis. Please note that this figure is an unaudited estimate. As of December 31, 2015, BX REIT Advisors had no regulatory assets under management.

### Description of Advisory Services:

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

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.

BPA tailors its advisory services to the particular needs of each Fund. The specific needs of the individual investors in the Funds are not the basis for investment decisions by BPA. Investment

advice is provided directly to the Funds by BPA and not individually to the respective investors of the Funds.

BX REIT Advisors serves as investment advisor to BREIT pursuant to the terms of the advisory agreement (the “BREIT Advisory Agreement” and, together with the BPA Advisory Agreements, the “Advisory Agreements”) between BX REIT Advisors, BREIT Parent and BREIT Operating Partnership. As investment advisor to BREIT, BX REIT Advisors is responsible for sourcing, evaluating and monitoring investment opportunities and making decisions related to the acquisition, management, financing and disposition of BREIT’s assets, in accordance with BREIT’s investment objectives, guidelines, policies and limitations, subject to oversight by BREIT’s board of directors. BX REIT Advisors tailors its advisory services to the particular needs of BREIT. The specific needs of the individual investors in BREIT are not the basis for investment decisions by BX REIT Advisors. Investment advice is provided directly to BREIT by BX REIT Advisors and not individually to the respective investors of BREIT.

## **Item 5. – Fees and Compensation**

### **Management Fees and Performance Fees Payable to BPA**

Pursuant to the BPA Advisory Agreements with each of the Funds, BPA is entitled to compensation for its services in the form of an annual management fee (the “BPA Management Fee”), payable quarterly in arrears, in respect of each Fund. In general, the BPA Management Fee with respect to the Funds varies based on the amount of each investor’s capital commitment to the Fund. The BPA Management Fee payable by a BPP investor (A) with an aggregate capital commitment of less than \$300 million, is 1.0% per annum of such investor’s proportionate share of the net asset value of BPP, or (B) with an aggregate capital commitment equal to at least \$300 million, is 0.85% per annum of such investor’s proportionate share of the net asset value of BPP. The BPA Management Fee is prorated for any partial periods. In addition for BPP, the BPA Management Fee payable by an investor that participated in the initial closing of BPP will be reduced by 25% for the two year period immediately following such initial closing. The BPA Management Fee payable by a BAPP investor is (A) 1.0% per annum of such investor’s invested capital and (B) 0.5% per annum of such investor’s unpaid capital commitments. The BPA Management Fee payable by a BPPI investor (A) with an aggregate capital commitment of less than \$500 million, is 1.0% per annum of such investor’s proportionate share of the net asset value of BPPI, or (B) with an aggregate capital commitment equal to at least \$500 million, is 0.85% per annum of such investor’s proportionate share of the net asset value of BPPI. The BPA Management Fee payable by a BPPG investor is 0.85% per annum of such investor’s proportionate share of the net asset value of BPPG. The BPA Management Fees payable by investors in Other Core+ Vehicles vary by vehicle. However, BPA Management Fees paid by an investor in the Other Core+ Vehicles are generally determined based on a percentage ranging from 0.5% to 1% per annum of either an investor’s invested capital or share of the net asset value of the relevant Other Core+ Vehicle.

As set forth in **Item 6** below, the General Partner of BPP receives performance-based compensation in respect of appreciation of BPP’s investment portfolio above a certain hurdle amount. The General Partners of the Other Core+ Vehicles are eligible to receive performance-based compensation or “carried interest” allocations in respect of realized investments. The offering materials (including the Private Placement Memorandum, as amended, restated or supplemented from time to time, the “Offering Materials”), if applicable, and the Limited Partnership Agreement (each, a “Partnership Agreement”) and Advisory Agreement of each Fund include further details on fees, compensation and related matters.

BPA Management Fees and performance-based compensation, with respect to BPP and the Other Core+ Vehicles are (i) deducted from an investor's assets invested with BPP and the Other Core+ Vehicles at the payment date, (ii) withheld from distributions, or (iii) invoiced pursuant to a payment notice (in the case of BPA Management Fees).

Certain investors in the Funds, including current and/or former senior advisors and employees of Blackstone, executive officers of Blackstone portfolio entities, 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 BPA Management Fees, performance-based compensation and/or "carried interest" 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 pursuant to the applicable Partnership Agreement. Any such methodology (including the choice thereof) involves inherent conflicts and may not result in perfect attribution and allocation of expenses.

#### **Management Fees and Performance Fees Payable to BX REIT Advisors**

Pursuant to the BREIT Advisory Agreement, BX REIT Advisors is entitled to compensation for its services in the form of a management fee (the "BREIT Management Fee" and, together with the BPA Management Fee, the "Management Fee") of 1.25% of BREIT's net asset value per annum payable monthly. In calculating the BREIT Management Fee, the net asset value will be calculated before giving effect to accruals for the BREIT Management Fee, performance participation allocation, stockholder servicing fees or distributions payable on BREIT's shares. The BREIT Management Fee may be paid, at the election of BX REIT Advisors, in cash, Class I shares of BREIT Parent or Class I units of BREIT Operating Partnership. If BX REIT Advisors elects to receive any portion of its BREIT Management Fee in Class I shares of BREIT Parent or Class I units of BREIT Operating Partnership, BX REIT Advisors may sell such Class I shares or Class I units to BREIT at a later date.

As set forth in **Item 6** below, BREIT Special Limited Partner L.L.C. (the "BREIT Special Limited Partner"), a wholly owned subsidiary of Blackstone, will be entitled to receive performance-based compensation in respect of appreciation of BREIT's investment portfolio above a certain hurdle amount.

#### **Other Fees Payable to BPA and its Affiliates**

In addition to BPA's Management Fee and the General Partner's performance-based compensation (see **Item 6** below), BPA and its affiliates receive (i) fees relating to portfolio entities of the Funds 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 at competitive market rates (collectively, “Property Management Services”) (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 and (iii) fees at market rates for any other services for Funds or persons representing any investment by such Funds (“Additional Fees”). In addition, BPA and its affiliates, to the extent permissible under the applicable Partnership Agreement, may from time to time receive an acquisition fee with respect to any investment (“Acquisition Fees”) by an Other Core+ Vehicle. Acquisition Fees will be 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 Other Core+ Vehicles and/or the portfolio entity and its subsidiaries and affiliates.

BPA and its affiliates, from time-to-time, may receive topping, break-up or other similar fees and to the extent it or its affiliates does receive such fees in connection with any unconsummated or terminated transaction, such fees do not offset the Management Fee payable by the 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, 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 BPA is reduced by:

- (A) for investors in BPPI and BPPG, (i) 100% 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;
- (B) for investors in Funds (other than BPPI and BPPG), a portion that varies among such Funds;

provided, however, that such fees will be allocated between the relevant Fund (and parallel funds) and any other investment fund sponsored by BPA 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 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 may be formed in the future, collectively, “Other Blackstone Funds”) and/or accounts and co-investment vehicles generally do not offset the Management Fees 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 performance-based compensation payable by participants therein), subject to certain limitations.

BPP currently retains a third party administrator for which BPP bears the cost. However, to the extent BPP no longer retains a third party administrator or certain administrative services are outside the scope of services offered by such third party administrator and such administrative services are provided by BPA or its affiliates, BPP may bear the expenses, costs, charges and fees charged or specifically attributed or allocated by, or otherwise incurred by, BPA or its affiliates to provide such administrative services to BPP (including an allocation of personnel compensation otherwise payable by Blackstone); provided, however, that any such expenses, fees, charges or related costs will not be greater than what would be paid to an unaffiliated third party for substantially similar services. Similarly, the Other Core+ Vehicles will bear the expenses, costs, charges and fees charged or specifically attributed or allocated by, or otherwise incurred by, BPA or its affiliates to provide such administrative services to the Other Core+ Vehicles (including an allocation of personnel compensation otherwise payable by Blackstone); provided, however, that any such expenses, fees, charges or related costs will not be greater than what would be paid to an unaffiliated third party for substantially similar services. Such amounts charged for administrative services do not offset Management Fees paid by investors. 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 the 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 do not offset Management Fees paid by investors.

BPA and its personnel also receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds, which will not offset the Management Fees payable by the investors or otherwise be shared with the Funds, investors and/or portfolio entities. 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 BPA and/or such personnel (and not the Fund's investors and/or portfolio entities) even though the cost of the underlying service is borne by the Fund and/or portfolio entities. BPA, its personnel and other related persons in certain instances also receive discounts on products and services provided by portfolio entities of the Funds and/or customers or suppliers of such portfolio entities of the Funds.

In addition, BPA engages and retains on behalf of the Funds and/or their portfolio entities affiliated service providers to provide various services to the Funds and their portfolio entities, 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 portfolio entities, and there will be no related offset to the Management Fee payable by the

investors. 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.

BPA, on behalf of the Funds and/or their portfolio entities, enter into agreements with Core Trust, an independent group purchasing organization used by large corporations and private equity firms. BPA and its affiliates receive referral fees in connection with the services provided to the Fund and/or their portfolio entities by Core Trust. These referral fees do not offset Management Fees payable by investors.

BPA also engages and retains on behalf of the Funds and/or their portfolio entities 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 entities for providing administrative, management or other services. See **Item 10 – Other Financial Industry Activities and Affiliations – Service Providers** below.

Finally, BPA engages and retains on behalf of the Funds and/or their portfolio entities, strategic advisors, senior advisors, consultants and other similar professionals who are not employees or affiliates of Blackstone and who may, from time to time, receive payments from, or performance-based compensation (e.g., promote) with respect to, portfolio entities (as well as from Blackstone or the Funds), and such amounts will not offset the Management Fees payable by the investors.

In addition, BPA 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 BPA performs services. These fees do not offset Management Fees payable by the investors.

#### **Other Fees Payable to BX REIT Advisors and its Affiliates**

In addition to the BREIT Management Fee and the BREIT Special Limited Partner's performance-based compensation (see Item 6 below), BX REIT Advisors and its affiliates may receive fees for other services in connection with BREIT's investments or operations, including any administrative services, construction, special servicing, leasing, development, property oversight 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. BREIT may also engage and pay fees to BX REIT Advisors' affiliates for the same or similar services for which the Funds may engage BPA and its affiliates, as described above in "Other Fees Payable to BPA and its Affiliates." Any fees paid to BX REIT Advisors or its affiliates for any such services will not reduce the BREIT Management Fee. Any such arrangements will be on arm's-length terms and at competitive market rates.

Blackstone Advisory Partners L.P. (“BAP”), an affiliate of Blackstone, will also receive selling commissions, dealer manager fees and stockholder servicing fees from investors in BREIT. BAP may reallocate some or all of these fees to other broker-dealers.

BX REIT Advisors and its affiliates may from time to time receive fees from portfolio entities or other issuers for the arranging, underwriting, syndication or refinancing of investments or other additional fees, including fees related to administrative services, construction, special servicing, leasing, development, property oversight 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, including with respect to other vehicles advised by affiliates of Blackstone and related portfolio entities, and while such fees may give rise to conflicts of interest we will not receive the benefit of any such fees.

### **BPA and BX REIT Advisors Expenses**

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

- Legal fees
- Placement fees, in the case of the Funds, and selling commissions, dealer manager fees and stockholder servicing fees, in the case of BREIT (See **Item 14** below)
- Regulatory filing fees of the Funds and BREIT, including but not limited to compliance with U.S. and state securities laws and the EU Alternative Investment Fund Managers Directive (“AIFMD”)
- Expenses related to the Advisers’ compliance matters and reporting obligations to the extent they relate to the Funds’ and BREIT’s 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
- Property and other 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 Funds or the investors or BREIT directly or indirectly participate in investments
- Custodial fees
- Bank fees
- Travel and related expenses in connection with the Funds' and BREIT's 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 entity management, customers, clients, borrowers, brokers and service providers). Most staff out-of-pocket travel expenses in connection with the Funds' and BREIT's transactions are treated as Fund/BREIT expenses, subject to the terms of the Partnership Agreements and the Advisory Agreements, as applicable.
- Marketing, advertising, printing, wholesaling and other capital raising expenses associated with investor admission/subscription 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'/BREIT's 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, BREIT or entities in which the Funds or BREIT 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 related to the Funds, including "Most-Favored Nations" provisions
- Valuation costs
- Expenses associated with redemptions/repurchases and admissions/subscriptions
- Expenses of the investor advisory committee (the "L.P. Advisory Committee"), in the case of the Funds, and the board of directors, in the case of BREIT
- Expenses of third-party advisory committees of the Funds as well as of other goods and services provided by third parties

- Expenses associated with the selection, evaluation, structuring, acquisition, origination, financing and development, holding, monitoring and disposition of investments
- Fees, costs and expenses related to the organization or maintenance of any intermediate entity
- Liquidation expenses

Investors in a Fund are allocated their pro rata share of such fees and expenses. Investors in BREIT indirectly bear the costs of fees and expenses of BREIT. From time to time, the General Partner/BX REIT Advisors will be required to decide whether costs and expenses are to be borne by a Fund/BREIT, on the one hand, or the General Partner and BPA/BX REIT Advisors, on the other, and/or whether certain costs and expenses should be allocated between or among the Funds/BREIT, on the one hand, and the Other Blackstone Funds, on the other. Certain expenses may be suitable for only a particular Fund/BREIT, 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/BREIT, 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/Adviser 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. BREIT will pay fees and expenses as described in the BREIT Offering Materials. In certain cases, BX REIT Advisors or the board of directors of BREIT may make judgments in their fair and reasonable discretion 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/BREIT bearing less (or more) expenses.

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

In addition to the BPA Management Fees and other fees described in **Item 5** that are received by BPA, the General Partner of BPP receives performance-based compensation equal to 10% of any appreciation (including unrealized appreciation) of the Fund's investment portfolio, taking into account any distributions made to investors over the applicable period, following BPP achieving a certain hurdle amount during such period. The General Partners of Other Core+ Vehicles generally receive a percentage of the profits of current disposition proceeds from each such Fund with respect to each investor (other than those that are affiliates of BPA). For the Other Core+ Vehicles, 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.

BPP distributes cash available for distribution, as determined by the General Partner in its sole discretion, on a quarterly basis (or more frequently at the election of the General Partner). Investors in BPP may elect to have all or a designated portion of all distributions reinvested by the General Partner of BPP. In addition, BPP generally expects to reinvest proceeds received by it in connection with a disposition or use such proceeds for any other purpose permitted under the Partnership Agreement (including satisfying redemption requests).

The Other Core+ Vehicles distribute current income from an investment generally in the manner described above relating to the distribution of disposition proceeds, except that distributions of current income 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 unrecovered losses from prior dispositions.

In addition to the BREIT Management Fees and other fees described in Item 5 that are received by BX REIT Advisors, so long as the BREIT Advisory Agreement has not been terminated (including by means of non-renewal), the BREIT Special Limited Partner will receive performance-based compensation equal to 12.5% of BREIT's total return (which for any period shall equal the sum of (i) all distributions accrued or paid (without duplication) on the BREIT Operating Partnership units outstanding at the end of the period since the beginning of the then-current calendar year *plus* (ii) the change in aggregate net asset value of such units since the beginning of the then-current calendar year, before giving effect to (x) changes resulting solely from the proceeds of issuances of BREIT Operating Partnership units, (y) any allocation/accrual to the performance participation interest and (z) applicable stockholder servicing fee expenses), subject to (A) a hurdle amount of 5% annualized internal rate of return on the net asset value of the BREIT Operating Partnership units, and (B) a "high water mark" so that the recoupment of past annual total return losses will offset the positive annual total return for purposes of the calculation of the BREIT Special Limited Partner's performance participation.

BREIT expects to pay regular quarterly distributions. All distributions will be made at the discretion of BREIT's board of directors, taking into consideration factors such as BREIT's earnings, cash flow, capital needs, general financial condition and the requirements of Maryland law. Investors in BREIT may elect to have all or a designated portion of such distributions reinvested into BREIT through BREIT's distribution reinvestment plan.

The fact that the Advisers' affiliates are in part compensated based on the performance of the Funds and BREIT, as applicable, creates an incentive for the Advisers to recommend investments on behalf of clients that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangement. However, the significant commitment by Blackstone to invest in the vehicles, the General Partner clawback provisions, where applicable, the fact that the preferred return, in the case of the Other Core+ Vehicle, is calculated on an aggregate basis and the "high water mark" provision in the partnership agreement of the BREIT Operating Partnership should tend to reduce the incentive to make riskier or 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 Partners' clawback obligation with respect to certain Other Core+ Vehicles creates an incentive for the General Partners to defer the disposition of one or more investments if such disposition would result in a realized loss, a return on investment that was less than the preferred return and/or the finalization of dissolution and liquidation of an Other Core+ Vehicle where a clawback obligation would be owed.

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

The Advisers have 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 performance-based compensation allocations with respect to the Funds.



## Item 7. – Types of Clients

The Advisers manage the Funds and BREIT. The investors in the Funds and BREIT 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 individuals; and
- Family Offices.

All investors are subject to applicable suitability requirements. BPA 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 (the “Investment Company Act”), 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 at discretion of the General Partner of each Fund.

BX REIT Advisors requires that each investor in BREIT have either (i) a net worth of at least \$250,000; or (ii) a gross annual income of at least \$70,000 and a net worth of at least \$70,000, in each case excluding the value of the home, home furnishings and automobiles from the calculation of net worth. Certain states and brokers have established suitability standards in addition to the minimum income and net worth standards described above. Shares in BREIT will be sold to investors in these states only if they meet the additional suitability standards set forth in the BREIT Offering Materials.

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

### **Analysis**

The Advisers identify and evaluate the investments in which the Funds and BREIT invest. Their analysis is based on certain criteria, which include, but are not limited to, liquidity and investment performance.

### **Investment Strategies**

BPA offers advice to the Funds generally to invest in “Core+” real estate and real estate-related assets in conjunction with privately negotiated transactions. These investments generally involve some degree of leverage.

BX REIT Advisors offers advice to BREIT to invest in primarily stabilized income-oriented commercial real estate in the United States, and to a lesser extent in real estate-related securities to provide a source of liquidity for BREIT’s share repurchase program, cash management and other purposes. These investments generally involve some degree of leverage.

The Advisers’ investment analysis methods include fundamental, technical and cyclical research. Each of the Advisers’ investment team is responsible for evaluating real estate, securities and other products for investment, investment allocation and investment selection for the Funds. Each of the Advisers’ 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.

The Advisers conduct 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.
- A review of 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.

- The Advisers work 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 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 general 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 and/or BREIT 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 (some of which may not apply to a particular Fund or BREIT):

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 and lack of a public market
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 the Advisers, the Advisers' key personnel and real estate professionals and portfolio entity 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. Leverage risk
19. Hedging risk
20. Ability to implement a Fund's or BREIT's investment strategy
21. Currency fluctuations
22. Risks associated with real estate investment activities generally
23. Increase in supply / decrease in demand
24. Residential real estate's susceptibility to adverse changes in economic and employment conditions
25. Risks of fraud, delayed construction arising in investments in new development
26. Risks of acquiring real estate property, including fluctuations in occupancy, rental rates, operating income and expenses
27. Interest rate, credit, reinvestment and general market risks related to investments in securities
28. Risks related to structured products, including commercial mortgage-backed securities
29. Valuation matters (see **Item 10 – Valuation Matters** for more information)
30. Contingent liabilities incurred on dispositions or financings of investments
31. Limited ability to protect the Fund's and BREIT's interest when making non-controlling investments or investments with third parties
32. Lack of diversification in investments
33. Limited availability of investment opportunities
34. Operating and financial risks of portfolio entities
35. Cyber security breaches and identity theft
36. Risks arising from ERISA including potential control group liability
37. Cross incurrence of indebtedness or guarantees on a several, joint and several or cross-collateralized basis among the Funds or BREIT and with Other Blackstone Funds (please see **Item 10 – Portfolio Entity Relationships** for more information)
38. CFTC registration requirements and compliance with the AIFMD
39. Enhanced scrutiny and potential regulation of the private investment fund industry and the financial services industry (including Dodd-Frank)
40. Failure to qualify as a real estate investment trust or for an exemption from the Investment Company Act

**Prospective investors are advised to review the applicable Fund Offering Materials or the BREIT Offering Materials for a more extensive description of the applicable investment strategies and the risks of investing in the Funds or BREIT, as applicable.**

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 the Advisers manage that is out of their control. The Advisers cannot guarantee any level of performance or that investors in the Funds and BREIT will not experience a substantial or complete loss of their account assets. There is no assurance that the Funds or BREIT 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 the Advisers. The expenses of the Funds or BREIT may exceed their income, and an investor in a Fund or BREIT could lose the entire amount of its contributed capital. Therefore, an investor should only invest in a Fund or BREIT if the investor can withstand a total loss of its investment. The past investment performance of the Funds or BREIT cannot be taken to guarantee future results of the Funds or BREIT or any investment in the Funds or BREIT.

**Item 9. – Disciplinary Information**

The Advisers do not have any legal, financial or other “disciplinary” events to report. As a registered investment adviser, each of the Advisers 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, the Advisers do not believe that any current legal proceeding or claim to which Blackstone is a party would individually or in the aggregate materially affect the Advisers’, the Funds’ and/or BREIT’s results of operations, financial position or cash flows.

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

### Other Financial Industry Activities

From time to time, various potential and actual conflicts of interest will arise as a result of the overall investment activities of the Advisers 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 and BREIT should consult the applicable Fund's Offering Materials or BREIT Offering Materials, as applicable, for a more complete list of applicable conflicts. Any references to Blackstone and the Advisers in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors and employees.

If any matter arises that the Advisers determine in their good faith judgment constitutes an actual conflict of interest, the Advisers will take such actions as they determine in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions the Advisers 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 conflict of interest to the L.P. Advisory Committee of the respective Fund as expressly provided for in the respective Partnership Agreement or the board of directors of BREIT, (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 or board of directors regarding the conflict of interest and either obtaining a waiver, consent or approval from the respective L.P. Advisory Committee or board of directors of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the respective L.P. Advisory Committee or board of directors 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 Blackstone will identify or resolve all conflicts of interest in a manner that is favorable to each Fund. By acquiring an interest in a Fund or BREIT, 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. In the case of BREIT, certain transactions between BREIT and affiliates of Blackstone require the approval of the independent directors of BREIT, as described in greater detail in the BREIT Offering Materials.

***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 and BREIT 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 and BREIT 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 and BREIT, might become restricted to those respective businesses and otherwise be unavailable to the Funds and BREIT. In addition, to the extent that the Blackstone Real Estate Group is in possession of material nonpublic information or is otherwise restricted from trading in certain securities, the Funds and each of the Advisers, 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 and BREIT, prevent the Funds and BREIT from acquiring and exiting an investment or otherwise limit their investment flexibility. Additionally, the terms of confidentiality or other agreements with or related to entities 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, the BREIT and/or their portfolio entities and their affiliates to make investments in or otherwise engage in businesses or activities competitive with such entities. 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 and BREIT, may require the Funds to share such opportunities or otherwise limit the amount of an opportunity the Funds and the BREIT can otherwise take.

***Performance-Based Compensation.*** The existence of the General Partners' carried interest or performance-based compensation, as applicable, and the BREIT Special Limited Partner's performance participation may create an incentive for the Advisers to make riskier or more speculative investments on behalf of the Funds or BREIT than it would otherwise make in the absence of such performance-based compensation. Under the terms of the Partnership Agreements of the Other Core+ Vehicles, the General Partner is entitled to elect to receive its performance-based compensation 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 Partners' incentives otherwise resulting from the existence of its performance-based compensation and therefore conflicts of interest may arise in making decisions on behalf of the Other Core+ Vehicles (including the timing of the disposition of investments). However, the significant commitment by Blackstone to invest in investments,



the General Partner clawback, the fact that the hurdle rate is calculated on an aggregate basis and the “high water mark” provision in the partnership agreement of the BREIT Operating Partnership should tend to reduce the incentive to make riskier or 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, a return on investment that was less than the preferred return and/or the finalization of dissolution and liquidation of an Other Core+ Vehicle where a clawback obligation would be owed. In addition, upon a withdrawal by an investor from an Other Core+ Vehicle (in limited circumstances) and upon the liquidation of a Other Core+ Vehicle, the General Partners may receive distributions of performance-based compensation 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 Other Core+ Vehicle’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 any benefit from such fees.

In the regular course of its capital markets, investment banking and other businesses, Blackstone represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and institutions, with respect to transactions that could give rise to transactions that are suitable for a Fund or BREIT. In such a case, a client would typically require Blackstone to act exclusively on its behalf, thereby precluding a Fund or BREIT from participating in such transactions. Blackstone will be under no obligation to decline any such engagements in order to make an investment opportunity available to a Fund or BREIT. Blackstone has long-term relationships with a significant number of corporations and their senior management. The Advisers will consider those relationships when evaluating an investment opportunity, which may result in the Advisers choosing not to make such an investment due to such relationships (e.g., investments in a competitor of a client). The Funds or BREIT 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. Certain Funds, BREIT or investors in funds may also co-invest with clients of Blackstone in particular investment opportunities, and the relationship with such clients could influence the decisions made by the Advisers 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 or BREIT.

Blackstone will from time to time participate in underwriting or lending syndicates with respect to portfolio entities of a Fund and BREIT, or otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, portfolio entities of a Fund and BREIT, or otherwise in arranging financing (including loans) for portfolio entities or advise on such transactions. Such underwritings will be on either a firm commitment basis or an uncommitted “best efforts” basis. In certain cases, a Blackstone broker-dealer will act

as the managing underwriter or a member of the underwriting syndicate and purchase securities from a Fund or BREIT or such portfolio entities or advise on such transactions. Blackstone will also from time to time, on behalf of a Fund or BREIT or other parties to a transaction involving a Fund or BREIT, effect transactions, including transactions in the secondary markets where it will from time to time nonetheless have a potential conflict of interest regarding a Fund or BREIT and the other parties to those transactions to the extent it receives commissions or other compensation from a Fund or BREIT 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, BREIT or the Advisers. In addition, the Management Fee paid by the Funds or BREIT generally will not be reduced by such amounts. Blackstone will from time to time nonetheless have a potential conflict of interest regarding Funds, BREIT and the other parties to those transactions to the extent it receives commissions, discounts or such other compensation from such other parties. The Advisers will approve any transactions in which a Blackstone broker-dealer acts as an underwriter, as broker for a Fund or BREIT, or as dealer, broker or advisor, on the other side of a transaction with a Fund or BREIT only where the Advisers believe in good faith that such transactions are appropriate for such Fund or BREIT and, by executing a subscription agreement for interests in a Fund or BREIT, an investor consents to all such transactions, along with other transactions involving conflicts of interest described herein, to the fullest extent permitted by law. From time to time, sales of securities for the account of the Funds or BREIT (particularly marketable securities) will 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 or BREIT.

Where Blackstone serves as underwriter with respect to a portfolio entity's securities, Funds or BREIT 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 or BREIT to dispose of such securities at an opportune time.

Blackstone employees, including employees working on matters related to the Advisers, are generally permitted to invest in alternative investment funds, real estate funds, hedge funds or other investment vehicles, including potential competitors of the Funds and BREIT. 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, the BREIT and their portfolio entities 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 the Advisers in deciding to select or recommend PJT to perform such services for the Funds, BREIT or a portfolio entity (the cost of which will generally be borne directly or indirectly by the Funds, BREIT or such entity, as applicable). Nonetheless, the Advisers and their affiliates will be free to cause the Funds, BREIT and portfolio entities 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 the Advisers and the General Partners) will from time to time give rise to additional conflicts of interest relating to the Funds, BREIT and their investment activities. In the event that any such conflict of interest arises, the Advisers 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' or BREIT's interests. In addition, pursuant to the certain Funds' Partnership Agreements, L.P. Advisory Committees have been or will be established and authorized to give consent on behalf of such 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. In the case of BREIT, BREIT's independent directors will be required to approve certain transactions involving BREIT and affiliates of Blackstone, as described in greater detail in the BREIT Offering Materials.

***Allocation of Personnel.*** The Advisers and their affiliates will devote such time as shall be necessary to conduct the business affairs of the Funds or BREIT in an appropriate manner. However, Blackstone personnel, including certain members of the Investment Committees, 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 entities, and, therefore, conflicts are expected to arise in the allocation of personnel and such personnel's time. This may include the BREP opportunistic real estate business, the BREDs real estate debt business (including BXMT) 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 substantially all of their business time to the activities of the Funds or BREIT 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).

***Advisors, Consultants and Operating Partners.*** Blackstone engages and retains strategic advisors, consultants, senior advisors, operating partners and/or other similar professionals (which may include former Blackstone employees as well as current and former executive officers of Blackstone portfolio entities) as well as other similar professionals who are not employees or affiliates of Blackstone including management teams for operating platforms and/or other professionals (collectively, “Consultants”) and who are expected, from time to time, to receive payments from, or allocations or performance-based compensation (e.g., promote) with respect to, portfolio entities (as well as from Blackstone or the Funds or BREIT). In such circumstances, such payments from, or allocations or performance-based compensation (e.g., promote) with respect to, portfolio entities, the Funds and/or BREIT may be treated as expenses of the Fund or BREIT 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 do not offset any Management Fees otherwise payable by the investors. These Consultants often have the right or may be offered the ability to co-invest alongside the Funds or BREIT, 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’ or BREIT’s returns and will not necessarily be subordinated to the return of investors’ capital contributions), or otherwise participate in equity plans for management of any such portfolio entity, or invest directly in the Funds, BREIT or vehicle(s) controlled by the Funds or BREIT subject to reduced or waived Management Fees, carried interest and/or performance-based compensation, including after termination of their engagement by or other status with Blackstone (which generally would reduce the amount invested by the Funds or BREIT in any investment). Additionally, and notwithstanding the foregoing, these Consultants, as well as current and former executive officers of Blackstone portfolio entities are expected to be (or have the right to be) investors in Blackstone portfolio entities (which, in some cases, may involve agreements to pay performance fees to such persons in connection with the investments of the Funds and/or BREIT therein, which will reduce the Funds’ returns and will not necessarily be subordinated to the return of investors’ capital contributions) and/or Other Blackstone Funds. 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 the Advisers 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 entities or contribute to the origination of new investment opportunities. In certain instances, Blackstone has formal arrangements with these Consultants, management teams for operating platforms and/or other professionals (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 or BREIT, Other Blackstone Funds and/or portfolio entities or otherwise uncompensated unless and until an engagement with a portfolio entity 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 Partnership Agreement, Advisory Agreements and related Management Fee offset provisions. Payments or allocations to Blackstone's strategic advisors, executive advisors, consultants, senior advisors and other similar professionals will not be subject to Management Fee offset provisions. There can be no assurance that any Consultant and/or other professionals will continue to serve in such roles and/or continue their arrangements with Blackstone, the Funds or BREIT and/or any portfolio entities throughout the term of the Funds or BREIT.

***Cross-Guarantees and Cross-Collateralization.*** The General Partners or BX REIT Advisors, as applicable, will make reasonable efforts to avoid any cross-guarantees or similar obligations for any Other Blackstone Fund that may invest with the Funds or BREIT (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 or BREIT), 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 or BREIT may enter into cross-collateralization arrangements with another Portfolio Vehicle of a Fund or BREIT or Portfolio Vehicles of one or more Other Blackstone Funds (including portfolio entities of a Fund's predecessor or successor funds). While Blackstone would expect any such financing arrangements to generally be non-recourse to the Funds or BREIT and the Other Blackstone Fund, as a result of any cross-collateralization, such Fund or BREIT could also lose its interests in otherwise performing investments due to poorly performing or non-performing investments of Other Blackstone Funds.

Moreover, while Blackstone generally seeks to use reasonable efforts to avoid cross-guarantees and other similar arrangements (it being understood, for greater certainty, that the foregoing does not include cross collateralization at the level of a Portfolio Vehicle that is non-recourse to the Funds or BREIT), 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, BREIT 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 Funds' Portfolio Vehicle is unable to repay its pro rata share of such indebtedness and/or (ii) any of the Funds' or BREIT's 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' or

BREIT's 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, BREIT, Other Blackstone Funds or their Portfolio Vehicles would be compensated (or provide compensation to the other) from being primarily liable vis-à-vis such third party counterparty.

**Bridge Financings.** From time to time, a Fund or BREIT may lend to one of its properties or companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in a Fund's or BREIT's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such events, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund or BREIT. In addition, Blackstone may extend such loans to the Funds, BREIT or a portfolio entity on a short-term basis on terms which are as favorable to the Funds or BREIT as the terms that could have been obtained at the time of such lending from a third-party lender.

**Lines of Credit.** The Funds and BREIT may utilize subscription credit facilities and/or enter into other extensions of credit for the benefit of co-investors and Other Blackstone Vehicles which may invest alongside such Funds/BREIT. In such circumstances, the General Partner or BX REIT Advisors, as applicable, generally intends to disclose such arrangements as part of the periodic reporting or other appropriate communications relating to the Funds/BREIT and enter into arrangements to cause any such co-investors and/or Other Blackstone Vehicles to bear (or reimburse the Funds/BREIT for) their pro rata share of any costs and expenses (including interest payments) allocable to such borrowings.

**Portfolio Entity Relationships.** Portfolio entities of the Funds, BREIT and Other Blackstone Funds are or will be counterparties or participants in agreements, transactions or other arrangements with the Funds, BREIT, Other Blackstone Funds, and portfolio entities of the Funds, BREIT 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 or relationship with Blackstone and which involve fees, commissions, servicing payments and/or discounts to Blackstone, a Blackstone affiliate or a portfolio entity which are not subject to the Management Fee offset provisions described herein. Such affiliated service providers, which are generally expected to receive competitive market rate fees as well as management promote and/or incentive fees (each as determined by the General Partner or BX REIT Advisors, as applicable) 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, a European operating platform owned by BREP Europe IV and BREP VII, to provide loan servicing and real estate management.

*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 the Funds or BREIT are owned directly by Other Blackstone 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 or BX REIT Advisors, as applicable, and operates on a nonprofit 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 and BX REIT Advisors 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 Blackstone Real Estate Partners VI L.P. 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, a European 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 Blackstone Real Estate Partners VII L.P. (“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, a European operating platform owned by BREP VII to provide management and leasing oversight and corporate services to logistics assets.

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

*ShopCore.* Portfolio Vehicles are expected to engage ShopCore, an operating platform owned by BPP, to provide management and leasing oversight and corporate services for retail assets.

With respect to transactions or agreements with portfolio entities (including, for the avoidance of doubt, long-term incentive plans), at times if unrelated officers of a portfolio entity have not yet been appointed, Blackstone may negotiate and execute agreements between Blackstone and/or the Funds or BREIT on the one hand, and the portfolio entity 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 entities 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.

***Other Blackstone Funds; Allocation of Investment Opportunities.*** Through Other Blackstone Funds and their affiliates, 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, and not all of the opportunities suitable for the Funds or BREIT will be presented to the Funds or BREIT. As a result Blackstone currently manages and will continue to manage, sponsor and close Other Blackstone Funds with investment objectives that overlap with those of the Funds or BREIT. It is possible that certain portfolio entities of the Other Blackstone Funds, or real estate companies in which the Other Blackstone Funds have an interest, may compete with the Funds or BREIT for one or more investment opportunities, and as a result such investment opportunities may only be available on a limited basis, or not at all, to the Funds or BREIT (particularly in the case of investment opportunities in smaller markets, such as commercial mortgage-backed securities). In addition, each Fund's Partnership Agreement and the BREIT Offering Materials set forth certain exceptions that allow specified types of investment opportunities that might otherwise fall within a Fund's/BREIT's investment objectives or strategy to be allocated to Other Blackstone Funds. Some of these exceptions are subject to reasonable interpretation and require the applicable Adviser to exercise its good faith judgment in determining whether an investment opportunity should be allocated to one of the Funds/BREIT or an Other Blackstone Fund.

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 or BREIT not participating (and/or not participating to the same extent) in certain investment opportunities that it would have otherwise.

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 and/or BREIT



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 and BREIT. 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 and/or BREIT.

To the extent any Other Blackstone Funds have investment objectives or guidelines that overlap with those of the Funds or BREIT, in whole or in part, investment opportunities that fall within such common objectives or guidelines will generally be allocated among one or more of the Funds or BREIT and such Other Blackstone Funds on a basis that the Advisers/General Partners believe to be fair and reasonable in good faith in their sole discretion, which is generally pro rata based on available capital, subject to (i) any applicable investment objectives, parameters, limitations and other contractual provisions relating to the Funds or BREIT and such Other Blackstone Funds, (ii) legal, tax, accounting, regulatory and other considerations, and (iii) such other factors deemed relevant by the General Partner or BX REIT Advisors, as applicable (including without limitation, the investment focus and investment limitations of the applicable funds/vehicles, the size, type, liquidity and other terms of the investment, the sector, geography/location, expected return profile, expected distribution rates, anticipated cash flows, expected stability or volatility of cash flows, leverage profile, risk profile, portfolio concentration and diversification considerations, and avoiding allocation that could result in de minimis or odd lot investments).

With respect to allocations of overlapping investment opportunities between BREIT and Other Blackstone Funds, in addition to the allocation considerations and factors described above (including BREIT's primary objective which is providing current income in the form of regular, stable cash distributions to achieve an attractive dividend yield), in order to be allocated to BREIT, such investment opportunity must also meet the investment objectives and expected return profile of BREIT if entered into on the same terms as such Other Blackstone Fund, including at the lower leverage targeted by such Other Blackstone Fund.

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 or BREIT 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 or BREIT would instead be referred (in whole or in part) to such third party. That means that co-investment opportunities that are sourced by the Funds or BREIT may be allocated to investors that are not investors in the Funds or BREIT.

Certain of 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. BREIT may also co-invest with Blackstone or its affiliates if approved by BREIT's board of directors (including the independent directors).

The amount of performance-based compensation charged and/or Management Fees paid by the Funds or BREIT may be less than or exceed the amount of performance-based compensation charged and/or management fees paid by Other Blackstone Funds. Such variation may create an incentive for Blackstone to allocate a greater percentage of an investment opportunity to the Funds or BREIT or such Other Blackstone Funds, as the case may be.

There are circumstances where an amount that would have otherwise been invested by a Fund or BREIT 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 investor that it will be offered any co-investment opportunities. The allocation of co-investment opportunities is entirely discretionary on the part of the Advisers and their affiliates 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 or the Advisers, as applicable, will take into account various facts and circumstances deemed relevant by the General Partner or the Advisers 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 or BX REIT Advisers' 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 or BX REIT Advisers' 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 or BREIT, 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 entity as a result of the Fund's or BREIT'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 or BREIT), 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 or BREIT, 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 or BREIT) 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.

Please see **Item 5** regarding the allocation of break-up or topping fees, and broken deal expenses.

***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' (and/or BREIT's) 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/or BREIT, and there may be opportunities available to the Funds and/or BREIT 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 and/or BREIT, 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 and/or BREIT, as applicable, not participating in any such investments or participating therein to a lesser extent. In addition, the Funds and/or BREIT 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 or BREIT'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, BREIT 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 and/or manage additional real estate investment funds or vehicles ("Other Real Estate Funds"), including the BREP 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, equity or mortgage REITs, supplemental accounts for certain investors subscribing to a Fund for a specific amount that receive allocations of investment opportunities that exceed the amount that Blackstone determines is appropriate for a Fund or any Other Blackstone Fund, real estate funds primarily making investments in a single sector of the Core+ real estate investment space (e.g., office, industrial, retail or multifamily) or making non-controlling investments in public and private debt and equity securities and/or investment funds, any or all of which may have investment objectives that overlap with those of the Funds and/or BREIT. The closing and/or management of an Other Real Estate Fund will result in the reallocation of Blackstone personnel, including reallocation of existing real estate professionals, to the activities of such Other Real Estate Fund. In addition, potential investments that may be suitable for the Funds and/or BREIT will be directed (in whole or in part) toward such Other Real Estate Fund.

***Joint Venture Partners.*** The Funds and/or BREIT 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 performance-based compensation and/or other fees payable to such Joint Venture Partners (as determined by the General Partner in its sole discretion).

**Services 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 and/or BREIT, Blackstone and/or certain entities in which the Funds and/or BREIT have an investment also provide goods or services to or have business, personal, financial or other relationships with Blackstone, its affiliates and portfolio entities. For example, certain portfolio companies enter into agreements regarding group procurement (such as the group purchasing organization), benefits management, purchase of title and/or other insurance policies (which will from time to time be pooled across portfolio companies and discounted due to scale) from a third party or a Blackstone affiliate, and other similar operational, administrative or management related initiatives that result in commissions or similar payments to Blackstone or its affiliates, including related to a portion of the savings achieved by the portfolio company. Such advisors and service providers referred to above may be investors in the Funds and/or BREIT, affiliates of the General Partner or BX REIT Advisors, 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, BREIT and/or such portfolio entities may benefit Blackstone and/or such Other Blackstone Funds. Additionally, certain employees of the Real Estate Group have family members or relatives employed by such advisors and service providers. BPA and/or its affiliates also provide administrative services to the Funds for a fee and BX REIT Advisors and/or its affiliates may provide administrative services to BREIT for a fee in the future. These relationships may influence Blackstone, the General Partner, BPA and/or BX REIT Advisors in deciding whether to select, recommend or create such an advisor or service provider to perform services for the Funds, BREIT or a portfolio entity (the cost of which will generally be borne directly or indirectly by the Funds and/or BREIT) and may incentivize Blackstone to engage such service provider over a third party. Notwithstanding the foregoing, transactions relating to the Funds and/or BREIT 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 and/or BX REIT Advisors believes to be of benefit to the Funds and/or BREIT).

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, BREIT and/or Portfolio Vehicles are different from those used by Blackstone and its affiliates, BPA or its affiliates may pay different amounts or rates than those paid by the Funds, BREIT and/or Portfolio Vehicles. However, BPA 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, BREIT 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 and/or BX REIT Advisors) with respect to certain investments, include, without limitation:

*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 or BREIT, 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 or BREIT, 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 title agency 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, BREIT and/or portfolio entities of the Funds, BREIT 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 BREIT and their investments. These fees do not offset Management Fees payable by 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.* Blackstone Property Management (“BPM”) is a Blackstone affiliate that provides property management, leasing oversight and development management services to certain of the Funds’ or BREIT’s 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 or BX REIT Advisors, as applicable, from time to time. These fees do not offset Management Fees payable by 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 or BREIT, 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’ or BREIT’s payments for such services. These fees do not offset Management Fees payable by 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 entities could obtain for themselves on an individual basis. The payments made to Blackstone in connection with Equity Healthcare, group purchasing, insurance and benefits management do not offset Management Fees payable by investors.

BPM and/or one or more other such service providers may become available for acquisition by the Funds or BREIT 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 or BREIT and/or participate alongside the Funds or BREIT as a buyer. The General Partner, BX REIT Advisors and BPA 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 BPA and the General Partner and/or BX REIT Advisors 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 entities. 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 entities (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting Blackstone that are tied or related to participation by portfolio entities). The Funds or BREIT and their investors will not share in any fees or economics accruing to Blackstone as a result of these relationships and/or participation by portfolio entities.

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 or BREIT will also co-invest with Other Blackstone Funds, investors in the Funds or BREIT and/or other third parties in investments that are suitable for both the Funds or BREIT and such Other Blackstone Funds. To the extent a Fund or BREIT holds securities that are different (including with respect to their relative seniority) than those held by such Other Blackstone Funds, the General Partners, BX REIT Advisors 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 or BREIT makes or has an equity investment in a portfolio entity 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 entity in which a

Fund or BREIT has a debt or equity investment, or if a Fund or BREIT and an Other Blackstone Fund participate in separate tranches of a fundraising with respect to a portfolio entity, Blackstone will generally have conflicting loyalties between its duties to the Fund or BREIT and to other affiliates. In that regard, actions may be taken for the Other Blackstone Funds that are adverse to the Fund or BREIT. 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 entity (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 or BREIT. 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' or BREIT's 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 or BREIT's interest 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.

**Valuation Matters.** The fair value of all investments will ultimately be determined by the General Partner or the Advisers, as applicable, in accordance with the Partnership Agreements or, in the case of BREIT, BREIT's valuation policies. 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 methodologies used to value any property will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Blackstone's control. There will be no retroactive adjustment in the valuation of any investment, the offering price at which interests in a Fund or BREIT were purchased by investors or repurchased by the Fund or BREIT, as applicable or the fees and/or performance-based compensation paid to the Advisers, the General Partner or the BREIT Special Limited Partner, as applicable, to the extent any valuation proves to not accurately reflect the realizable value of an asset in any Fund.

The valuation of investments will affect the amount and timing of the carried interest or performance-based compensation of the General Partner or the BREIT Special Limited Partner, as applicable, and, under certain circumstances, the amount of Management Fees payable to the Advisers. The valuation of investments may also affect the ability of Blackstone to raise successor funds to the Funds or BREIT. As a result, there may be circumstances where the

General Partners or the Advisers, as applicable, are incentivized to determine valuations that are higher than the actual fair value of investments.

The valuation methodology for BPP and BREIT differs from each other's valuation methodology and the valuation methodologies of the Other Core+ Vehicles as further described below. The price an investor pays for interests in BPP and BREIT, and the price at which an investor's interests in BPP and BREIT may be redeemed, are based on net asset value of BPP and BREIT, as applicable, and as a result an investor may pay more than realizable value or receive less than realizable value for its investments.

Valuations of properties owned by BPP or BREIT are conducted in accordance with BPP's or BREIT's valuation policy, as applicable, which has been established and can be modified by the General Partner in the case of the Funds and the board of directors in the case of BREIT. All properties acquired by BPP or BREIT are initially carried at cost. Each property is then valued by an independent third party appraiser, no later than the first full quarter after acquisition in the case of BPP and no later than the first two months after acquisition in the case of BREIT, and no less than annually thereafter in both cases. Each appraisal is performed in accordance with the Uniform Standards of Professional Appraisal Practice and reviewed by BPP's or BREIT's, as applicable, independent valuation advisor for reasonableness. Upon conclusion of the appraisal, the independent third party appraiser prepares a written report with an estimated range of gross market values of the property. Concurrent with the appraisal process, the General Partner or BX REIT Advisors, as applicable, as described below, values each property of BPP or BREIT internally and takes into account the appraisal, among other factors, to determine the appropriate valuation (within the range provided by the independent third party appraiser).

The General Partner values each investment of BPP on a quarterly or more frequent basis and BX REIT Advisors values each investment of BREIT on a monthly basis. Such valuation by the General Partner or BX REIT Advisors is inherently subjective. The independent valuation advisor reviews the General Partner's valuations quarterly and in the case of BREIT reviews the BX REIT Advisors' valuations of properties monthly and provides BPP or BX REIT Advisors, as applicable, with review letters confirming that the valuations are reasonable. In the case of BREIT, the independent valuation advisor affirms that annual appraisals are reasonable for the month such appraisals are issued and in subsequent months reviews and confirms the Adviser's updated valuations (based on previously issued appraisals) for reasonableness in negative assurance letters. BREIT's investments in real estate-related securities are valued by the Adviser based on market quotations or fair valuation in accordance with generally accepted accounting principles. The independent valuation advisor's review is based on asset and portfolio level information provided by the General Partner or BX REIT Advisors, as applicable, which is not independently verified by the independent valuation advisor. Such review considers the independent third party's appraisal and any material changes noted by the General Partner or BX REIT Advisors, as applicable, since such appraisal, including without limitation, the occurrence of an unexpected property specific event such as a termination or renewal of a material lease, a material change in vacancies or a significant capital market event that may cause the value of a property to change materially. The General Partner's or BX REIT Advisors', as applicable, valuation of each investment's liabilities, including any third-party incentive fee payments or



investment level debt, deal terms and structure will not be reviewed by the independent valuation advisor or appraised. The General Partner or BX REIT Advisors, as applicable, values investment level debt with input and/or review, upon the General Partner's or BX REIT Advisors', as applicable, request, from a third party advisor.

***Side Letters and Agreements.*** The General Partners, BPA and/or their affiliates have entered into and will continue to enter into "side letters" with investors in the Funds, which "side letters" allow for certain additional rights, including, without limitation, (i) 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, (ii) 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, (iii) 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, (iv) restrictions on, or special rights of such investor with respect to, the activities of the General Partner, (v) redemption rights due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (vi) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (vii) economic arrangements, (viii) matters regarding such investor's right to participate in co-investment opportunities, (ix) additional obligations, and restrictions of the Funds with respect to the structuring of any investment (including with respect to alternative investment vehicles), or (x) more favorable redemption and withdrawal rights from the Funds, including without limitation, as a result of an investor's violations of laws, regulations or policies applicable to such investor (e.g. "pay-to-play" regulations and policies associated with public pension plan investors), which may materially increase the percentage interest of other investors in, and their contribution obligations, for future investments and expenses, alter the timing of ultimate withdrawal of other investors and reduce the overall size of the applicable Funds. 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 organizational documents. A copy of any such side letter that is entered into will be available upon request and will be distributed in connection with the most-favored-nations side letter election process. 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, be entitled to (a) receive any rights or benefits 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, (b) receive any rights or benefits which are personal to such other investor based solely on the place of organization or headquarters, organizational form of, or other particular restrictions or considerations applicable to, such other investor or (c) receive any rights or benefits granted to the General Partner, its

partners, members, affiliates, their employees, or any charity or foundation (or related entities, programs and/or accounts thereof) associated with their employees or partners.

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 Funds' strategy with terms and conditions applicable to such investor and its investment in multiple Blackstone strategies that would not apply to an investor's investment in the Funds, as applicable. 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 (in addition to one or more rights listed above), among others, specialized reporting, discounts on and/or reimbursement of Management Fees and/or performance-based compensation 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 performance-based compensation and/or fund 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 in the Funds or acknowledge statements by such incoming investors in the Funds that relate to the Funds and/or Blackstone's activities pertaining thereto in one or more respects. Any such statements, confirmations agreements 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 the investors in the Funds, and as a result investors in the Funds 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 and BREIT will be required to indemnify the General Partner, the Advisers, 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 the Advisers on behalf of the Funds or BREIT for liabilities incurred in connection with the affairs of the Funds or BREIT. Members of any applicable Fund's L.P. Advisory Committee or BREIT's board of directors may also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the respective Partnership Agreement of each Fund or charter of BREIT. 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 entities, the partners, managers, or affiliates of the General Partner and BX REIT Advisers may be subject to

derivative or other similar claims brought by security holders of such companies. The indemnification obligation of the Funds or BREIT would be payable from the assets of the Funds or BREIT, 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 (or BX REIT Advisors, as applicable) may cause the Funds or BREIT to purchase insurance for the Funds or BREIT, the General Partner, the Advisers and their employees, agents and representatives. In addition, because the General Partner (or BX REIT Advisors, as applicable) may cause the Funds or BREIT 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 or BREIT 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 or manager of BREIT, the General Partner (or BX REIT Advisors, as applicable) 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 of exculpation so long as the General Partner and/or BX REIT Advisors (and/or its legal counsel) have determined that such disqualifying conduct did not occur. BREIT's charter contains certain limitations on its ability to indemnify its directors, BX REIT Advisors and its affiliates.

***Diverse Investor Group.*** Investors in the Funds or BREIT have conflicting investment, tax and other interests with respect to their investments in such Funds or BREIT and with respect to the interests of investors in Other Blackstone Funds that may participate in the same investments as the Funds or BREIT. 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 or BREIT 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 the Advisers, 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 or BREIT 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 or BREIT, the General Partners and/or the Advisers will consider the investment and tax objectives of the Fund or BREIT 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 or BREIT), not the investment, tax or other objectives of any investor individually. In addition, certain investors in a Fund or BREIT may also be investors in Other Blackstone Funds, including co-investment vehicles that may invest alongside one or more of the Funds or BREIT 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 BREIT or their portfolio entities 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 BREIT 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 or BREIT's investment therein, which will reduce such Fund's or BREIT'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 or BREIT than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and the General Partner (or BX REIT Advisors, as applicable) and its affiliates may not be motivated to act solely in accordance with its interests relating to the Fund or BREIT. Similarly, not all investors monitor their investments in vehicles such as the Funds or BREIT in the same manner. For example, certain investors may periodically request from the General Partners information regarding the Funds or BREIT and their investments and/or portfolio entities 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 Partners may provide such information to such investors, but because it has provided such information upon request by one or more investors does not mean the General Partners will be obligated to affirmatively provide such information to all investors (although the General Partners 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 the Funds than other investors, and the General Partners will have no duty to ensure all investors seek, obtain or process the same information regarding the Funds and their investments and/or portfolio entities.

***Other Trading and Investing Activities.*** Certain Other Blackstone Funds may invest in securities of publicly traded companies which are actual or potential investments of the Funds or BREIT. The trading activities of those vehicles may differ from or be inconsistent with activities which are undertaken for the account of the Funds or BREIT in such securities or related securities. In addition, the Funds may not pursue an investment in a portfolio entity 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 and retail focused investment vehicles. In

connection with that focus, the SEC's list of examination priorities includes, among other things, 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, the Funds or BREIT.

**Other Financial Industry Affiliations**

Each of the Advisers 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 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 L.P.	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 listed mortgage REIT and other investment vehicles

BX REIT Advisors L.L.C.	Provides investment advisory services to a non-traded REIT
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 Partner`s 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: BPA 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. 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 Fund Offering Materials or the BREIT Offering Materials, as applicable.

## Item 11. – Code of Ethics

Each of the Advisers 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 or BREIT. The Code of Ethics is reasonably designed to ensure that each of the Advisers meets its fiduciary obligation to their clients (or prospective clients) and to instill a culture of compliance within each of the Advisers. 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. Each of the Advisers 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. Each of the Advisers has adopted policies and procedures reasonably designed to address such potential conflicts of interest.

Each of the Advisers’ 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. Each of the Advisers and its related personnel are subject to guidelines governing the ability to trade in personal accounts. The guidelines generally require that such trading be conducted for investment rather than speculative purposes and that all such personal securities transactions receive pre-clearance from the Blackstone Legal and Compliance Department. These guidelines are reasonably 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 the Advisers' Chief Compliance Officer, Judy Turchin; (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

## Item 12. – Brokerage Practices

### **BPA**

BPA 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 entity). In the event BPA executes a brokerage transaction for the Funds (e.g., trade in public securities as part of or following an IPO of a portfolio entity), BPA 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. BPA does not currently have any “soft dollar” arrangements.

### **BX REIT Advisors**

BX REIT Advisors will engage in brokerage transactions with respect to BREIT’s investments in liquid real estate-related securities. Citigroup Global Markets Inc. (the “Broker”) serves as prime broker for BREIT. BREIT may engage other or additional custodians, prime brokers and executing brokers at any time.

Portfolio transactions are allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions and any research or investment management-related services provided by such brokers that BX REIT Advisors believes to be of benefit to BREIT.

Securities transactions can be expected to generate brokerage commissions and other compensation, all of which BREIT, not BX REIT Advisors or any of its affiliates, will be obligated to pay. BX REIT Advisors has complete discretion in deciding what brokers and dealers BREIT will use and in negotiating the rates of compensation BREIT will pay. In addition to using brokers as “agents” and paying commissions, BREIT may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns.

Blackstone Real Estate has a Brokerage Review Committee that meets on a quarterly basis to review a schedule of the executing brokers and dealers utilized by BREIT and the Blackstone Real Estate funds investing in liquid real estate-related securities during the preceding quarter, and services received from, such brokers and dealers, to evaluate reasonableness in light of services received and consistency with applicable policies and procedures.

Trade errors are evaluated on a case-by-case basis. If BX REIT Advisors determines that its gross negligence, willful misconduct or fraud was the direct cause of a trade error, it generally will compensate BREIT for any losses resulting from such trade error. Broker-dealers may not be compensated via commissions or BREIT transactions for absorbing a trading error for which BX REIT Advisors is required to compensate BREIT under its policy. Where a third party’s negligence or wrongdoing causes a trading error that results in a material loss to BREIT, BX

REIT Advisors will attempt to recover the amount of the loss from the third party for BREIT, but BX REIT Advisors does not assume responsibility for compensating BREIT, or making the third party compensate BREIT, in such cases.

BX REIT Advisors will combine purchase or sale orders on behalf of BREIT and the other real estate investment vehicles with orders for other accounts to which BX REIT Advisors or any of its affiliates may provide investment services and allocate the securities or other assets so purchased or sold on an average price basis, or by any other method of equitable allocation, among such accounts.

### **Research and Other Soft Dollar Benefits**

Research (proprietary or otherwise) or investment-related services provided by brokers through which portfolio transactions for BREIT are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services. BX REIT Advisors may use “soft dollars” generated by BREIT to pay for certain research and non-research related services and products used by BX REIT Advisors within the safe harbor afforded by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. However, BX REIT Advisors does not currently have any “soft dollar” arrangements.

BX REIT Advisors does not select nor recommend broker-dealers based on investor referrals nor does BX REIT Advisors participate in directed brokerage practices.



## **Item 13. – Review of Accounts**

### **Review of Accounts**

Currently, the only accounts under the supervision of the Advisers are the accounts of the Funds and BREIT. The accounts and investment positions of the Funds and BREIT are monitored by the Advisers' personnel on a regular and current basis. The Advisers might periodically review on an expedited basis the assets of a Fund and BREIT 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 significant 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 performance statistics of the Fund, as applicable. Investors also will receive written annual audited financial statements for the Fund, as applicable in which they are invested. BPA 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.

BREIT will file periodic reports required by the Securities Exchange Act of 1934, as amended, and will also update the BREIT Offering Materials as required by the Securities Act of 1933, as amended. These filings will be made available on the SEC's EDGAR filing system as well as BREIT's website at [www.bxreit.com](http://www.bxreit.com).

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, BPA 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**

BPA has distribution and/or placement agent arrangements with a number of unaffiliated third parties. In a typical distribution or placement agent arrangement, BPA agrees to pay a third-party solicitor for referring investors into a Fund. Typically, third-party solicitors will receive a portion of the BPA Management Fee and/or performance fee paid to BPA (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 BPA (through a corresponding reduction in the BPA 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 BPA, serves as a placement agent to the Funds in the U.S. and as a dealer manager for the public offering of BREIT's stock. While BAP is not compensated for the services it provides in its role as placement agent to the Funds, BAP receives selling commissions, dealer manager fees and stockholder servicing fees from BREIT in its role as the dealer manager for the public offering. Some or all of such commissions and fees may be allocated to other broker-dealers engaged by BAP. The holders of such classes of shares in BREIT indirectly bear such expenses. 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 BPA affiliate acting as general partner and, as such, BPA is deemed to have custody of the Funds’ assets. With respect to BREIT, BX REIT Advisors is deemed to have custody by virtue of its access to, or control over, BREIT’s securities and assets. The Advisers generally comply with the Advisers Act custody rules by providing all investors in a Fund or BREIT, as applicable, with audited financial statements within 120 days of the Fund’s or BREIT’s fiscal year end.

With the exception of certain assets, which are defined as “privately offered securities” per the Custody Rule, each Fund and BREIT 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 or BREIT.

**Item 16. – Investment Discretion**

The Advisers maintain the authority to manage or advise the Funds and BREIT on a discretionary basis, subject to the overall supervision of the applicable General Partner or the board of directors of BREIT (as applicable), in accordance with the investment guidelines, objectives, limitations, other provisions and terms set forth in the Partnership Agreements, BREIT's charter and the Advisory Agreements, as applicable.

## **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 the Advisers will generally be deemed to have authority to vote proxies relating to the entities in which its clients invest, the Advisers have adopted a set of policies and procedures (together, the “Policy”) in compliance with the Proxy Rule. To the extent that the Advisers exercise or are deemed to be exercising voting authority over their clients’ securities, the Policy is reasonably 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 their clients, as determined by the Advisers in their discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, the Advisers may not always vote proxies in accordance with the Policy. In addition, many possible proxy matters are not covered in the Policy. Generally, the Advisers 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 the Advisers or their 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 is in accordance with the Advisers’ proxy voting guidelines is in the best interests of their clients. the Advisers, in their 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 the Advisers’ Chief Compliance Officer, Judy Turchin; (212) 5835000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

**Item 18. – Financial Information**

Each of the Advisers 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 neither Adviser is registered in any state.