

**Item 1 – Cover Page**

**Blackstone Property Advisors L.P.**

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as of March 30, 2017

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

If you have any questions about the contents of this Brochure, please contact Judy Turchin, Chief Compliance Officer for the Adviser, 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 the Adviser 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 the Adviser’s Form ADV.

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

**Blackstone**

## Item 2 – Material Changes

There has not been a material change to this Brochure since the last annual update on March 30, 2016.

However, please carefully read Items 5, 8 and 10, which describe certain fees and expenses (including, for example, servicing fees), potential risk of loss and potential conflicts of interest (including, for example, in respect of portfolio entity relationships), respectively.

The Adviser, 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's website as indicated on the cover of this Brochure, or you may contact the Adviser's Chief Compliance Officer, Judy Turchin, at (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

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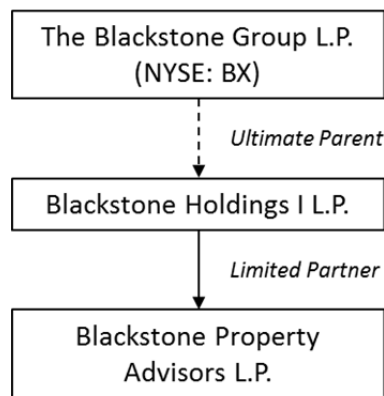
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## Item 4 – Advisory Business

### Overview of the Firm

The Adviser is a Delaware limited partnership formed on April 8, 2014. The Adviser, directly or indirectly through its subsidiaries, provides investment advisory services to an open-ended private investment fund that invests in real estate and real estate related assets in the core+ investment space and its parallel funds (“BPP”) and certain closed-ended private investment vehicles and other single investor and pooled vehicles that have or may make separate investments in the core+ real estate space or co-invest alongside BPP (the “Other Core+ Vehicles” and, together with BPP, the “Investment Vehicles”). Affiliates of the Adviser serve as the general partners (the “General Partner”) of each Investment Vehicle.

The ultimate parent of the Adviser is The Blackstone Group L.P., which is a publicly held limited partnership listed on the New York Stock Exchange that 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 vehicles focused on private equity, real estate, hedge fund solutions, non-investment grade credit, secondary private equity funds of funds and multi-asset class strategies. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.



As of December 31, 2016, the Adviser had regulatory assets under management of approximately \$13.73 billion on a discretionary basis. Please note that this figure is an unaudited estimate.

**Description of Advisory Services**

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

1. Identifies and analyzes investment opportunities for the Investment Vehicles;
2. Makes recommendations to the General Partner of each Investment Vehicle regarding the purchase and sale of investments;
3. Participates in the monitoring and evaluation of the Investment Vehicles’ investments; and
4. Provides other related services in connection with the implementation of the Investment Vehicles’ investment objectives.

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

## Item 5 – Fees and Compensation

### Management Fees and Performance Fees

Pursuant to the Advisory Agreements with each of the Investment Vehicles, the Adviser is entitled to compensation from each Investment Vehicle for its services in the form of an annual management fee (the “Management Fee”), payable quarterly in arrears at a rate of up to 1.00% per annum (which varies among Investment Vehicles) of the Investment Vehicle’s (i) total invested capital, in the case of certain Investment Vehicles that are structured as “closed-ended funds”, or (ii) net asset value, in the case of the Investment Vehicle that is structured as a “open-ended fund” (and certain Investment Vehicles that are structured as “closed-ended funds”).

The Management Fee is prorated for any partial periods. In certain cases, the Management Fee payable by an investor in an Investment Vehicle will be offset by specified additional fees received by the Adviser (as more fully described below) or waived for a certain period for certain investors participating in the early closings of an Investment Vehicle.

As set forth in **Item 6** below, each of the General Partners receives performance-based compensation in respect of either realized or unrealized (dependent upon the Investment Vehicle) appreciation, subject to certain conditions, and, in addition, certain Investment Vehicles distribute current income from investments.

The offering materials (including the private placement memorandum as amended, restated or supplemented from time to time) (the “Offering Materials”), the organizational documents (including any applicable limited partnership agreements, limited liability company agreements and other formation documents, as amended or restated from time to time) (the “Organizational Documents”) and Advisory Agreement of each Investment Vehicle include further details on fees, compensation and related matters.

Management Fees and performance-based compensation are either called from investors in the form of cash or units of the relevant Investment Vehicle, if applicable, or drawn down from the relevant Investment Vehicle’s subscription credit facility.

Management Fees and/or performance-based compensation will not be paid by certain investors in the Investment Vehicles, 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”) (including, among other investment funds, side-by-side vehicles sponsored by Blackstone), and/or charitable programs, endowment funds and related entities established by or associated with any of the foregoing (collectively, “Blackstone Investors”), in connection with their investment in the Investment Vehicles. Notwithstanding the foregoing, such investors will either directly pay for their pro rata share of certain Investment Vehicle expenses (as described below), or the pro rata share of such expenses will be allocated to the General Partner or its affiliates. For more information with respect to the allocation of Investment Vehicle expenses, please see “Expenses” in **Item 5** below.

### **Other Fees Payable to the Adviser and its Affiliates**

In addition, pursuant to the Advisory Agreements with certain Investment Vehicles, the Adviser may charge investors with capital commitments below a certain threshold a servicing fee (the “Servicing Fee”), subject to the right of the General Partner, in its sole discretion, to reduce or waive such fee. The Servicing Fee is generally equal to a percentage based on capital commitments (and, for closed-ended Investment Vehicles, based on invested capital after the investment period) and payable quarterly in arrears.

Furthermore, the Adviser and its affiliates receive fees from portfolio entities and Blackstone-affiliated service providers with respect to certain investments (“Additional Fees”). As a result, while Blackstone believes that any such affiliated service providers, when engaged, generally provide (or Blackstone believes they 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 see **Item 10 – Other Financial Industry Activities and Affiliations** below and, in particular, “Portfolio Entity Relationships” and “Service Providers and Counterparties” therein for further information about such portfolio entities and Blackstone-affiliated service providers. The Adviser and its affiliates may also receive an acquisition fee with respect to any investment (“Acquisition Fees”) by an Other Core+ Vehicle. Oftentimes Acquisition Fees are calculated as a percentage of the total enterprise valuation of the transaction, which is generally the aggregate amount of invested capital and debt assumed or financed by the Other Core+ Vehicles and/or the portfolio entity and its subsidiaries and affiliates.

The Management Fee paid to the Adviser, pursuant to the Organizational Documents of Investment Vehicles, with respect to investors in the Investment Vehicles is generally offset by some or all of such investor’s share of placement fees paid by such investor, Additional Fees and

Acquisition Fees that varies among the Investment Vehicles. Such fees will be allocated between the relevant Investment Vehicle and any other investment vehicles sponsored by the Adviser and its affiliates having an interest in such fees on a pro rata basis.

The amount of such fees which are allocable to 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 Vehicles") and/or accounts and co-investment vehicles generally do not offset the Management Fee payable by investors in the Investment Vehicles, even if such Other Blackstone Vehicles 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.

The Adviser or its affiliates, from time to time, may also receive topping, break-up or other similar fees in connection with any unconsummated or terminated transaction. To the extent the Adviser or its affiliates receive such fees, they do not offset the Management Fee payable by the investors. In the event break-up or topping fees are paid to the Adviser and its affiliates in connection with a transaction that is not ultimately consummated, co-investment vehicles that invest alongside the Investment Vehicles 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 Investment Vehicles. Such other fees may give rise to conflicts of interest in connection with an Investment Vehicle's investment activities.

In addition, the Adviser and its affiliates may receive a fee from the Investment Vehicles in respect of the provision of administrative services, which include, but are not limited to, fund administration, accounting, tax, valuation and reporting-related services customarily provided by a third party ("Administrative Services") as well as the payment or reimbursement of any expenses, charges and/or related costs incurred by such Investment Vehicles, the Adviser or its affiliates in connection with such provision of Administrative Services to such Investment Vehicles (or specifically allocated thereto); *provided, however*, that any such expenses, fees, charges or related costs in connection with such provision of Administrative Services will not be greater than what would be paid to an unaffiliated third party for substantially similar services. On the other hand, certain open-ended Investment Vehicles currently retain a third party



administrator for which such Investment Vehicles bear the cost. However, to the extent such Investment Vehicles no longer retain 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 the Adviser or its affiliates, such Investment Vehicles may bear the expenses, costs, charges and fees charged or specifically attributed or allocated by, or otherwise incurred by, the Adviser or its affiliates to provide such Administrative Services to such Investment 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 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 Investment Vehicle, (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 estimation, subjectivity and potentially conflicts and may not result in perfect attribution and allocation of expenses. These expenses will be borne by the Investment Vehicles and will not result in any offset to the Management Fee.

The Adviser and its personnel also can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Investment Vehicles, which will not be subject to a Management Fee offset or otherwise be shared with the Investment Vehicles, investors and/or portfolio entities. For example, airline travel or hotel stays incurred as Investment Vehicle 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 the Adviser and/or such personnel (and not the Investment Vehicle, the Investment Vehicle's investors and/or portfolio entities) even though the cost of the underlying service is borne by the Investment Vehicle and/or portfolio entities. The Adviser, its personnel, and other related persons in certain instances also receive discounts on products and services provided by portfolio entities and/or customers or suppliers of such portfolio entities.

Blackstone receives a portion of the administrative fee that CoreTrust, an independent group purchasing organization used by large corporations and private equity firms to obtain volume discounts on products and services, collects from vendors as well as an annual consulting fee

from CoreTrust as consideration for Blackstone's work in facilitating its portfolio entities' participation in CoreTrust and in enhancing CoreTrust's program. These referral fees do not offset Management Fees payable by investors and are not otherwise to be shared with the Investment Vehicles, investors and/or portfolio entities.

In addition, the Adviser engages and retains on behalf of the Investment Vehicles and/or their portfolio entities, strategic advisors, senior advisors, consultants and other similar professionals who are not employees or affiliates of Blackstone and who will, from time to time, receive payments from, or performance-based compensation with respect to, portfolio entities (as well as from Blackstone or the Investment Vehicles), and such amounts will not offset the Management Fees payable by the investors. Such payments and/or performance-based compensation, as applicable, will be paid at rates determined by Blackstone, the Adviser and/or the General Partner, in its sole discretion.

Finally, the Adviser will receive fees associated with capital invested by co-investors relating to investments in which the Investment Vehicles participate. These fees may be in connection with a joint venture in which the Investment Vehicles participate or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which the Adviser performs services. These fees do not offset Management Fees payable by Investment Vehicle investors.

### **Expenses**

The following is a list of expenses that are typically borne by the Investment Vehicles (and indirectly by the investors in the Investment Vehicles). This list is not intended to be exhaustive; prospective and existing investors in the Investment Vehicles are advised to review the applicable Investment Vehicle's Offering Materials, Organizational Documents and Advisory Agreements for a more extensive description of the expenses associated with an investment in such Investment Vehicle.

- Legal fees
- Placement fees and due diligence of such placement agent (See **Item 14** below)
- Regulatory filing fees of the Investment Vehicles, including but not limited to compliance with U.S. federal and state securities laws and international laws, including the EU Alternative Investment Fund Managers Directive ("AIFMD")

- Expenses related to the Adviser's compliance matters and reporting obligations to the extent they relate to the Investment Vehicles' activities (*e.g.*, Form PF, CFTC filings, AIFMD)
- Risk management
- Data aggregation
- Administrative fees (including in-house administration/accounting costs), expenses and charges, including overhead related thereto
- Administrator fees and due diligence of such administrator or other service provider
- Organizational expenses
- Operating expenses
- 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 (including third-party as well as internally allocated charges)
- Certain hardware expenses and software fees
- Property, loan administration and servicing and other asset management fees
- Audit and accounting fees
- Brokerage commissions, including hedging costs
- Fees and expenses associated with borrowing, guarantees and other financing, including interest charges
- Expenses associated with the development, negotiation, acquisition, holding, monitoring and disposition of investments and transaction fees
- Costs and expenses associated with vehicles through which the Investment Vehicles or the investors directly or indirectly participate in investments
- Fees, costs and expenses related to the organization or maintenance of any intermediate entity
- Taxes and expenses related to the preparation and delivery of any entity-level taxes
- Custodial and depositary fees
- Bank and bank wire fees
- Travel and other expenses in connection with the Investment Vehicles' 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, investors, borrowers, brokers and service providers). Most staff out-of-pocket travel expenses in connection with the Investment Vehicles' transactions are treated as expenses

of the Investment Vehicles, subject to the terms of the Offering Materials, Organizational Documents and the Advisory Agreements.

- Expenses related to the preparation and delivery of internal control reports
- 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
- Expenses associated with market data and research (including fees for internal and/or external research-related services, reporting, printing and/or publishing documents)
- Expenses of Blackstone-internal and third-party printing and publishing (including time spent performing such printing and publishing services)
- Preparing, printing and delivering all reports, documents and filings related to the Investment Vehicles and their investments
- Expenses associated with the preparation of the Investment Vehicles' periodic reports (and related financial and other statements) and investor notices and communications
- Expenses of investor meetings
- Broken-deal expenses
- Insurance expenses
- Extraordinary expenses, including expenses of litigation or settlement involving the Investment Vehicles or portfolio entities in which the Investment Vehicles 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 Investment Vehicles, including "Most-Favored Nations" provisions
- Valuation costs
- Expenses of the investor advisory committee (the "L.P. Advisory Committee") or board of directors, including director fees, as applicable
- Expenses of third-party advisory committees of the Investment Vehicles as well as of other goods and services provided by third parties
- Liquidation expenses
- Arbitration expenses
- Expenses associated with redemptions and admissions/subscriptions

Investors in an Investment Vehicle are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which may be calculated based on capital commitments, invested capital, available capital, or other metrics as determined by the General Partner in its sole

discretion. From time to time, the General Partner will be required to decide whether costs and expenses are to be borne by an Investment Vehicle, on the one hand, or the General Partner and the Adviser, on the other, and/or whether certain costs and expenses should be allocated between or among the Investment Vehicles, on the one hand, and the Other Blackstone Vehicles on the other. Certain expenses may be suitable for only a particular Investment Vehicle, its parallel fund or participating Other Blackstone Vehicles and borne only by such Investment Vehicle, or, as is more often the case, expenses may be allocated pro rata among the Investment Vehicle, all of its parallel funds and participating Other Blackstone Vehicles, even if the expenses relate only to particular vehicle(s) and/or investor(s) therein, such allocation may be calculated based on capital commitments, invested capital, available capital, or other metrics as determined by the General Partner in its sole discretion. The General Partner will make such judgments in its fair and reasonable, and in its sole discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. There can be no assurance that a different manner of allocation would not result in an Investment Vehicle bearing less (or more) expenses.

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

In addition to the Management Fees and other fees described in **Item 5** that are received by the Adviser, the General Partner, or the Adviser (as applicable), of BPP receives performance-based compensation equal to 10% of any appreciation (including unrealized appreciation) of the Investment Vehicle'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 Investment Vehicle with respect to each investor (other than those that are affiliates of the Adviser). 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 Investment Vehicles 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 Organizational Documents (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 unrecouped losses from prior dispositions.

The fact that the Adviser's affiliates are in part compensated based on the performance of the Investment Vehicles creates an incentive for the Adviser to recommend investments to the Investment Vehicles 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 Investment Vehicles, the General Partner clawback provisions, where applicable, and the fact that the preferred return is calculated on an aggregate basis should tend to reduce the incentive to make 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 clawback obligation of the General Partner, where applicable, creates an incentive for the General Partner 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 Investment Vehicle where a clawback obligation would be owed.

As described in **Item 5**, Blackstone Investors are not subject to Management Fees or performance-based compensation allocations with respect to the Investment Vehicles.

## Item 7 – Types of Clients

The Adviser manages the Investment Vehicles. An Investment Vehicle's investors may consist of some or all of the following:

- Sovereign wealth funds;
- Public and private retirement and pension plans;
- State and municipal government agencies;
- Insurance companies;
- Public and private profit sharing plans;
- Charitable organizations and foundations, including endowment funds thereof;
- Banks and other financial institutions;
- Private investment funds;
- Investment companies;
- Trusts and estates;
- Corporations;
- Family Offices;
- Certain high net worth individuals; and
- Business entities other than those listed above.

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



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

### Analysis

The Adviser identifies and evaluates the investments in which the Investment Vehicles invest. The Adviser's analysis is based on certain criteria, which include, but are not limited to, risk/return profile, capital structure, liquidity and investment performance.

### Investment Strategies

The Adviser advises the Investment Vehicles to invest in real estate and real estate-related assets in the core+ investment space through privately negotiated transactions.

The Adviser's investment analysis methods include fundamental, technical and cyclical research. The Adviser's investment team is responsible for evaluating real estate, securities and other products for investment, for the Investment Vehicles. The Adviser's investment professionals, with the advice and assistance of legal counsel when deemed appropriate, also review portfolios for adherence to the applicable investment guidelines of each applicable Investment Vehicle.

Before making investments, the Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental, social, governance and legal issues. When conducting due diligence and analyzing an investment, the Adviser will rely on the resources available to it, including information provided by the seller of the investment and, in some circumstances, third-party investigations.

In particular, the Adviser typically conducts 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.

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

Blackstone's real estate group ("Blackstone Real Estate Group" or "Real Estate Group") has one centralized investment committee (the "Investment Committee") that meets weekly to review and discuss investments around the world. The Investment Committee's discussions are led by the Real Estate Group's Global Head and its Chief Investment Officer. The Investment Committee also includes all Senior Managing Directors in the Real Estate Group, as well as senior executives of Blackstone, including Blackstone's Chairman and Chief Executive Officer and President and Chief Operating Officer. Blackstone manages its investments through proactive day-to-day asset management, as well as regular global asset reviews and quarterly valuation meetings. Certain significant investments of the Investment Vehicles are reviewed and approved by the Investment Committee. Smaller investments are reviewed by a prescribed subset of the Investment Committee. The Investment Committee utilizes a consensus-based approach to decision making among the members.

The above is only a summary of the principal investment strategies employed by the Adviser. The material risks associated with these strategies is set forth below.

### **Risk of Loss**

An investment in the Investment Vehicles 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 Investment Vehicle):

1. No established market for potential investments exists
2. Illiquidity of investments by the Investment Vehicles
3. Restrictions on transfers of investor interests under the Organizational Documents and/or the Securities Act and lack of a public market
4. Restrictions on redemptions and withdrawals with respect to open-ended Investment Vehicles
5. Political uncertainty in the U.S. and globally
6. Changes in legal, fiscal and regulatory regimes
7. Nature of equity or equity-related investments
8. Non-U.S. investments, including currency fluctuation, exchange controls and political factors
9. Portfolio concentration
10. Investment environment and market risk
11. Market volatility risks, including interest rate fluctuations
12. Risk of loss of entire investment
13. Deterioration of property values
14. Policy risks in emerging markets
15. Highly competitive nature of real estate investment business
16. Inability to deploy capital in conjunction with finding suitable investments
17. Lender liability risks, including equitable subordination
18. Leverage risk
19. Hedging risk
20. Inability to implement an Investment Vehicle's investment strategy
21. Service provider process / control
22. Increase in supply / decrease in demand
23. Dependence on the Adviser, the Adviser's key personnel, real estate professionals and/or portfolio entity management

24. Real estate's susceptibility to adverse changes in economic and employment conditions
25. Valuation matters, including deficiencies in appraisal quality or third party valuation agent's review in the investment process (see **Item 10 – "Valuation Matters"** for more information)
26. Risks of acquiring real estate property, including fluctuations in occupancy, rental rates, operating income and expenses
27. Contingent liabilities incurred on dispositions or financings of investments
28. Limited ability to protect the Investment Vehicle's interest when making non-controlling investments or investments with third parties
29. Lack of diversification in investments
30. Limited availability of investment opportunities
31. Operating and financial risks of portfolio entities
32. Cyber security breaches and identity theft
33. Risks arising from ERISA including potential control group liability
34. Cross incurrence of indebtedness or guarantees on a several, joint and several or cross-collateralized basis among the Investment Vehicles and/or with Other Blackstone Vehicles (please see **Item 10 – "Portfolio Entity Relationships"** for more information)
35. CFTC registration requirements and/or maintenance of exemptions therefrom
36. Enhanced scrutiny and potential regulation of the private investment fund industry and the financial services industry (including Dodd-Frank)
37. Compliance with AIFMD and other international law
38. Counterparty risks due to derivative contracts
39. Risks of fraud
40. Delayed construction arising in investments in new development
41. Acquisition of sub-performing real estate loans and participations
42. Risks of distressed securities being subject to workouts, restructurings or bankruptcy
43. Risks of investing in publicly-traded securities

- 44. Risks associated with real estate investment activities generally
- 45. Deficiencies in appraisal quality or third party valuation agent's review in the investment process
- 46. Interest rate, credit, reinvestment and general market risks related to investments in securities
- 47. Risks related to structured products, including commercial mortgage-backed securities
- 48. Due diligence may not reveal all factors affecting an investment

**Prospective investors are advised to review the applicable Investment Vehicle's Offering Materials for a more extensive description of the applicable investment strategies and the risks of investing in the Investment Vehicles.**

Stock markets, bond markets and real estate markets fluctuate substantially over time. As 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 Adviser manages that is out of its control. The Adviser cannot guarantee any level of performance or that investors in the Investment Vehicles will not experience a substantial or complete loss of their investment. There is no assurance that the Investment Vehicles 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 Adviser. The expenses of the Investment Vehicles may exceed their income, and an investor in an Investment Vehicle could lose the entire amount of its contributed capital. Therefore, an investor should only invest in an Investment Vehicle if the investor can withstand a total loss of its investment. The past investment performance of the Investment Vehicles cannot be taken to guarantee future results of the Investment Vehicles or any investment in the Investment Vehicles.

## Item 9 – Disciplinary Information

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

Certain regulatory, litigation and other similar matters are disclosed in (i) Blackstone’s public filings (including, without limitation, its current, periodic and annual reports on Forms 8-K, 10-Q and 10-K), which may be accessed through the web site of the SEC ([www.sec.gov](http://www.sec.gov)) or Blackstone (<http://ir.blackstone.com/investors/annual-reports-and-sec-filings/default.aspx>), and (ii) materials made available through Blackstone’s online portal related to the Investment Vehicles and/or certain of its affiliates.

## Item 10 – Other Financial Industry Activities and Affiliations

### Other Financial Industry Activities

Various potential and actual conflicts of interest will arise as a result of the overall investment activities of Blackstone, the General Partners, the Investment Vehicles, the Adviser and their affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive 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 Investment Vehicles should consult the Offering Materials of the applicable Investment Vehicle for a more complete list of applicable conflicts. Any references to Blackstone and the Adviser in this section will be deemed to include their respective affiliates, partners, members, shareholders, officers, directors and employees.

If any matter arises that the Adviser determines in its good faith judgment constitutes an actual conflict of interest, the Adviser will take such actions as it determines in good faith may be necessary or appropriate to ameliorate the conflict (and upon taking such actions the Adviser 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) disclosing the conflict to the investors (including, without limitation, in drawdown notices, distribution notices, quarterly letters or other communications); (ii) implementing certain policies and procedures reasonably designed to ameliorate such conflict of interest; (iii) presenting a conflict of interest to the L.P. Advisory Committee, as expressly provided for in the respective Organizational Documents; (iv) disposing of the investment or security giving rise to the conflict of interest; (v) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (vi) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the respective L.P. Advisory Committee, regarding the conflict of interest and either obtaining a waiver or consent from the respective L.P. Advisory Committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the respective L.P. Advisory Committee, with respect to such conflict of interest. There can be no assurance that the Adviser will identify or resolve all conflicts of interest in a manner that is favorable to each Investment Vehicle. By acquiring an interest in an Investment Vehicle, each investor will be deemed to have acknowledged and consented to the existence or resolution of any such actual, apparent or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

***Blackstone Policies and Procedures.*** Specified policies and procedures implemented by Blackstone to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions will from time to time reduce the synergies across Blackstone's various businesses that the Adviser and the Investment Vehicles expect to draw on for purposes of pursuing attractive investment opportunities. Because Blackstone has many different businesses, including the Blackstone Capital Markets Group, which Blackstone investment teams and portfolio entities may engage to advise on and to execute debt and equity financings, 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 Investment Vehicles 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 Investment Vehicles, might become restricted to those respective businesses and otherwise be unavailable to the Investment Vehicles. In addition, to the extent that the Blackstone Real Estate Group is in possession of material non-public information or is otherwise restricted from trading in certain securities, the Investment Vehicles and the Adviser, as part of the Blackstone Real Estate Group, generally also will be deemed to be in possession of such information or otherwise restricted. This will likely reduce the investment opportunities available to the Investment Vehicles, prevent the Investment Vehicles from acquiring and exiting an investment or otherwise limit their investment flexibility.

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



***Performance-Based Compensation.*** The existence of the General Partner's performance-based compensation may create an incentive for the General Partner to make more speculative investments on behalf of the Investment Vehicles than it would otherwise make in the absence of such performance-based compensation. Under the terms of the Investment Vehicles' Organizational Documents, 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 Partner's incentives otherwise resulting from the existence of the General Partner's performance-based compensation and therefore conflicts of interest may arise in making decisions on behalf of the Investment Vehicles (including the timing of the disposition of investments). However, the significant commitment by Blackstone to invest in investments of the Investment Vehicles, the clawback of the General Partner, and the fact that the hurdle rate is calculated on an aggregate basis should tend to reduce the incentive to make more speculative investments or otherwise time the sale of investments in a manner motivated by the personal interests of Blackstone personnel. In connection therewith, the clawback obligations of the General Partner may create an incentive for the General Partner to make more speculative investments and/or defer disposition of one or more investments if such disposition would result in a realized loss and/or the finalization of dissolution and liquidation of an Investment Vehicle where a clawback obligation would be owed and/or seek to deploy the capital commitments in investments at an accelerated pace. In addition, upon a withdrawal by an investor from an Investment Vehicle (in limited circumstances) and upon the liquidation of an Investment Vehicle, the General Partner may receive performance-based compensation distributions with respect to a distribution in-kind of non-marketable securities. The valuation of such securities for such purposes will be determined by the General Partner, as set forth in the applicable Investment Vehicle's Organizational Documents and also in accordance with Blackstone's internal valuation policy.

***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 and its affiliates will provide services in the future beyond those currently provided. Investors will not receive a benefit from such fees.

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

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

Blackstone will from time to time participate in underwriting or lending syndicates with respect to portfolio entities of an Investment Vehicle, or otherwise be involved in the public offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, the portfolio entities of an Investment Vehicle, or otherwise in arranging financing (including loans) for portfolio entities or advise on such transactions. Such underwritings will be on a firm commitment basis or may be on an uncommitted "best efforts" basis. A Blackstone broker-dealer will from time to time act as the managing underwriter or a member of the underwriting syndicate and purchase securities from the Investment Vehicles or such portfolio entities or advise on such transactions. Blackstone will also from time to time, on behalf of the Investment Vehicles or other parties to a transaction involving the Investment Vehicles, effect transactions, including transactions in the secondary markets where it will from time to time nonetheless have

a potential conflict of interest regarding the Investment Vehicles and the other parties to those transactions to the extent it receives commissions or other compensation from the Investment Vehicles 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 Vehicle or account is purchasing debt) or other compensation with respect to the foregoing activities, which are not required to be shared with the Investment Vehicles, their investors or the Adviser and the Management Fee with respect to an Investment Vehicle investor generally will not be reduced by such amounts. Blackstone will from time to time nonetheless have a potential conflict of interest regarding the Investment Vehicles and the other parties to those transactions to the extent it receives commissions, discounts, fees or such other compensation from such other parties. The Adviser will approve any transactions in which a Blackstone broker-dealer acts as an underwriter, as broker for an Investment Vehicle, or as dealer, broker or advisor, on the other side of a transaction with an Investment Vehicle only where the Adviser believes in good faith that such transactions are appropriate for such Investment Vehicle. Sales of securities for the account of the Investment Vehicles (particularly marketable securities) will from time to time be bunched or aggregated with orders for other accounts of Blackstone including Other Blackstone Vehicles. 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 Investment Vehicles.

Where Blackstone serves as underwriter with respect to a portfolio entity's securities, the Investment Vehicles 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 Investment Vehicles to dispose of such securities at an opportune time.

Blackstone employees, including employees working on matters related to the Adviser, are generally permitted to invest in alternative investment funds, real estate funds, hedge funds or other investment vehicles, including potential competitors of the Investment Vehicles. 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 Investment Vehicles 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 Adviser in deciding to select or recommend PJT to perform such services for the Investment Vehicles (or a portfolio entity) (the cost of which will generally be borne directly or indirectly by the Investment Vehicles or such entity, as applicable). Nonetheless, the General Partner, the Adviser and their affiliates will be free to cause the Investment Vehicles and portfolio entities to transact with PJT generally without restriction under the Organizational Documents notwithstanding such overlapping interests in, and relationships with, PJT.

In addition, other present and future activities of Blackstone and its affiliates (including the Adviser and the General Partners) will from time to time give rise to additional conflicts of interest relating to the Investment Vehicles and their investment activities. In the event that any such conflict of interest arises, the General Partner and/or the Adviser, as applicable, 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 Investment Vehicles' interests. In addition, pursuant to the Organizational Documents, L.P. Advisory Committees have been or will be established and authorized to give consent on behalf of the Investment Vehicles 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 and the Adviser 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 Organizational Documents, then the General Partner, the Adviser and their affiliates will not have any liability to the Investment Vehicle or the investors for such actions taken in good faith by them.

***Allocation of Personnel.*** The Adviser and its affiliates will devote such time as shall be necessary to conduct the business affairs of the Investment Vehicles in an appropriate manner.

However, Blackstone personnel, including certain members of the Investment Committee, will work on other projects and/or Other Blackstone Vehicles, 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 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 be subject to certain devotion of time requirements with respect to the activities of the Investment Vehicles 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), which may vary among such vehicles.

***Advisors, Consultants and Operating Partners.*** Blackstone engages and retains strategic advisors, consultants, senior advisors, operating partners and/or other professionals (which may include former Blackstone employees as well as current and former executive officers of Blackstone portfolio entities) as well as other similar professionals who are not employees or affiliates of Blackstone (collectively, "Consultants") and who are expected, from time to time, to receive payments from, or allocations or performance-based compensation (*e.g.*, promote) with respect to, portfolio entities (as well as from Blackstone or the Investment Vehicles). In such circumstances, such payments from, or allocations or performance-based compensation (*e.g.*, promote) with respect to, portfolio entities and/or the Investment Vehicles will be treated as Investment Vehicle expenses and will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Blackstone, be deemed paid to or received by Blackstone and such amounts will not be subject to the offset of any Management Fees otherwise due and may be treated as expenses for the applicable Investment Vehicles. These Consultants have the right or may be offered the ability to co-invest alongside the Investment Vehicles, 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 Investment Vehicles' 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 Investment Vehicles or in vehicle(s) controlled by the Investment Vehicles subject to reduced or waived Management Fees and/or performance-based compensation, including after the termination of their engagement by or other status with Blackstone (which generally would reduce the amount invested by the Investment Vehicles in any investment). Additionally, and notwithstanding the foregoing, these Consultants 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 Investment Vehicles' investments

therein, which will reduce the applicable Investment Vehicle's returns, and will not necessarily be subordinated to the return of Investment Vehicle investors' capital contributions) and/or Other Blackstone Vehicles. 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 Adviser 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 (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 Investment Vehicles 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 work 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 Organizational Documents, Advisory Agreement and related Management Fee offset provisions. There can be no assurance that any of the Consultants and/or other professionals will continue to serve in such roles and/or continue their arrangements with Blackstone, the Investment Vehicles and/or any portfolio entities throughout the term of the Investment Vehicles.

***Cross-Guarantees and Cross-Collateralization.*** The General Partner will make reasonable efforts to avoid any cross-guarantees or similar obligations for any Other Blackstone Vehicle that may invest with the Investment Vehicles (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 entity that is non-recourse to the Investment Vehicles), as more fully described below.

In connection with seeking financing or refinancing of a portfolio entity, it may be the case that better financing terms are available when more than one portfolio entity provides collateral, particularly in circumstances where the assets of each portfolio entity are similar in nature. As such, rather than seeking such financing or refinancing on its own, a portfolio entity of an Investment Vehicle may enter into cross-collateralization arrangements with another portfolio

entity of an Investment Vehicle or portfolio entities of one or more Other Blackstone Vehicles (including portfolio entities of an Investment Vehicle's predecessor or successor funds). While Blackstone would expect any such financing arrangements to generally be non-recourse to the Investment Vehicles and the Other Blackstone Vehicle, as a result of any cross-collateralization, such Investment Vehicle could also lose its interests in otherwise performing investments due to poorly performing or non-performing investments of Other Blackstone Vehicles.

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 entity that is non-recourse to the Investment Vehicles), it is also possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one portfolio entity or group of portfolio entities, which will typically result in (i) any of a portfolio entity of the Investment Vehicles or a portfolio entity of an Other Blackstone Vehicle being solely liable with respect to its own and such Other Blackstone Vehicle's portfolio entity'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 Vehicles' portfolio entity is unable to repay its pro rata share of such indebtedness and/or (ii) any of the Investment Vehicles' portfolio entities and such Other Blackstone Vehicle's portfolio entity 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 Investment Vehicles' portfolio entity and such Other Blackstone Vehicle's portfolio entity entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of the Investment Vehicles, such Other Blackstone Vehicles or their portfolio entities would be compensated (or provide compensation to the other) from being primarily liable vis-à-vis such third party counterparty.

***Investments Longer than Term.*** An Investment Vehicle may make investments which may not be advantageously disposed of prior to the date that such Investment Vehicle will be dissolved, either by expiration of such Investment Vehicle's term, if applicable, or otherwise. Although the General Partner expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, an Investment Vehicle may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

**Bridge Financings.** From time to time, an Investment Vehicle 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 an Investment Vehicle'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 Investment Vehicle. In addition, Blackstone may extend such loans to the Investment Vehicles or a portfolio entity on a short-term basis on terms which are as favorable to the Investment Vehicles as the terms that could have been obtained at the time of such lending from a third-party lender.

**Leverage.** The Investment Vehicles intend to utilize significant leverage to finance the Investment Vehicles' investments in a manner the Adviser and/or the applicable General Partner believes is prudent. The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors, such as rising interest rates, downturns in the economy or deteriorations in the condition of the investments. The Adviser and/or General Partner will also obtain leverage at the fund level on a deal by deal basis. Although borrowings by the Investment Vehicles have the potential to enhance overall returns that exceed the Investment Vehicles' cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Investment Vehicles' cost of funds. In addition, borrowings by the Investment Vehicles will be secured by the investors' capital commitments and/or by the Investment Vehicles' assets, subject to certain limitations. In connection with one or more credit facilities entered into by the Investment Vehicles, distributions to the investors may be subordinated to payments required in connection with any indebtedness contemplated thereby. Investors may be required to execute an investor acknowledgement for the benefit of the lenders under the subscription credit facility and may be required to acknowledge their obligations to pay their share of indebtedness up to their unused capital commitment. If the Investment Vehicles default on secured indebtedness, the lender may foreclose and the Investment Vehicles could lose their entire investment in the security for such loan and/or the lender may issue a drawdown notice for the purpose of repaying the secured indebtedness. A credit facility at the fund level will place restrictions on payments to equity holders, including prohibitions on payments in the event of any default (or continuance thereof) under the credit facility.

The Investment Vehicles expect to incur indebtedness and/or guarantees to fund investments using proceeds derived through fund-level borrowings (e.g., a secured subscription credit



facility) on a long-term basis and/or in advance or in lieu of calling capital from investors, which may be on a joint, several, joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio wide basis) with Other Blackstone Vehicles and/or joint venture partners. While such arrangements will likely be joint and several with respect to the Investment Vehicles, such arrangements will not necessarily impose reciprocal joint and several obligations on such other vehicles. The costs and expenses of any such borrowings will generally be allocated among the Investment Vehicles and such other vehicles or funds pro rata (and to the investors pro rata), which will increase the expenses borne by investors and would be expected to diminish net investment returns. Furthermore, as a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, the Investment Vehicles may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. Moreover, the Investment Vehicles could also lose its interests in performing investments in the event such performing investments are cross-collateralized with poorly performing or non-performing investments.

Calculations of net and gross internal rates of return (“IRR”) in respect of investment and performance data with respect to the Investment Vehicles, as reported to investors from time to time, are based on the payment date of capital contributions received from investors. This treatment also applies in instances where an Investment Vehicle utilizes borrowings under its subscription-based credit facility in advance of receiving capital contributions from investors to repay any such borrowings and related interest expense. As a result, use of a subscription-based credit facility will impact calculations of returns and will result in a higher or lower reported IRR than if the facility had not been utilized and instead such investors’ capital had been contributed at the inception of an investment, which will present conflicts of interest as a result of certain factors, including the interest rate on such borrowings typically being less than the rate of the preferred return and that such preferred return does not accrue on such borrowings, and only accrues on capital contributions when made. As a result, use of such long-term leverage arrangements with respect to investments may reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of performance-based compensation to the General Partner, providing the General Partner with an economic incentive to fund investments through long-term borrowings in lieu of capital contributions. Subject to the limitations in the relevant Organizational Documents, the use of a subscription-based credit facility by the Investment Vehicles is within the General Partner’s discretion.

Tax-exempt investors should note that the use of leverage by the Investment Vehicles may create “unrelated business taxable income.”

The Investment Vehicles expect to utilize subscription credit facilities and/or enter into other similar arrangements and extensions of credit for the benefit of co-investors and/or Other Blackstone Vehicles that invest alongside the Investment Vehicles in one or more investments. In such circumstances, the General Partner generally intends to disclose such arrangements as part of the periodic reporting or other appropriate communications relating to the Investment Vehicles and to cause any such co-investors and/or Other Blackstone Vehicles to bear (or reimburse the Investment Vehicles for) their pro rata share of any costs and expenses (including interest payments) allocable to such extensions of credit.

***Portfolio Entity Relationships.*** Portfolio entities of the Investment Vehicles and Other Blackstone Vehicles are or will be counterparties or participants in agreements, transactions or other arrangements with the Investment Vehicles, Other Blackstone Vehicles and portfolio entities of the Investment Vehicles and Other Blackstone Vehicles that, although Blackstone determines to be consistent with the requirements of such funds’ governing agreements, would not have otherwise been entered into but for the affiliation with Blackstone, and which involve fees, and/or servicing payments to affiliated entities of Other Blackstone Vehicles that are not subject to the Management Fee offset even though some of the services that may be provided are similar in nature to the services provided by the Adviser. Such affiliated service providers, which are generally expected to receive fees as well as a management promote and/or incentive fees (each as determined by the General Partner) with respect to certain investments, include without limitation:

*151 Property.* Portfolio entities are expected to engage 151 Property, a portfolio entity owned by Blackstone Real Estate Partners VI L.P. (“BREP VI”), to provide property management, construction management, leasing, and corporate support services to office and retail assets in Australia.

*BRE Europe.* BRE Europe Real Estate Investment (“BRE Europe”) refers to a group of Luxembourg-based companies that are the master holding companies through which the Blackstone real estate funds principally invest into European investments. BRE Europe provides seven key service functions to European-domiciled entities that are part of the investments of the Blackstone real estate funds. Companies within BRE Europe providing services to certain of the Investment Vehicles are owned directly by Other

**Blackstone Vehicles.** 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 competitive market rates, as determined by the General Partner (or the Adviser, 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 the Adviser believe that this method results in a fair and equitable allocation of expenses.

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

**Fidere.** Portfolio entities are expected to engage Fidere, a European operating platform owned by Blackstone Real Estate Partners Europe IV L.P. ("BREP Europe IV") and Blackstone Real Estate Partners VII L.P. ("BREP VII"), to provide property management services with respect to certain European multifamily residential real estate assets.

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

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

**Multi Corporation.** Portfolio entities are expected to engage Multi Corporation, a European operating platform owned by BREP Europe IV, BREP Europe III and BREP VII, to provide management and leasing oversight and corporate services to retail assets.

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

Portfolio entities may charge costs and expenses based on allocable overhead associated with employees working on relevant matters (including salaries, benefits and other similar expenses); *provided* that these amounts will not exceed market rates as determined by the General Partner to be appropriate under the circumstances. There can be no assurance that a different manner of allocation would not result in the Investment Vehicles and/or Other Blackstone Vehicles bearing less (or more) costs and expenses.

The General Partner will make determinations of market rates based on its consideration of a number of factors, which are generally expected to include the General Partner's experience with non-affiliated service providers as well as benchmarking data and other methodologies determined by the General Partner to be appropriate under the circumstances. For example, in certain circumstances, property management services will be provided at market rates whereas corporate support services may be provided on a no-profit, break-even basis and allocated on a per foot, per unit or per key basis (*i.e.*, to cover the cost of allocated employees and related overhead) where in the aggregate such corporate support services will be provided at or below market rates. While Blackstone generally intends to obtain benchmarking data regarding the rates charged or quoted by third parties for similar services, relevant comparisons may not be available for a number of reasons, including, without limitation, as a result of a lack of a substantial market of providers or users of such services or the confidential and/or bespoke nature of such services. Therefore, such market comparisons may not result in precise market prices for comparable services. Expenses to obtain benchmarking data will be borne by the portfolio entity (and indirectly by the Investment Vehicles) and will not offset the Management Fee. See also "—Service Providers and Counterparties" below.

As further described herein, Blackstone, the Investment Vehicles and/or Other Blackstone Vehicles will hold equity or other investments in companies or businesses (with respect to Blackstone, even if they are not "affiliates" of Blackstone) in the real estate related information technology and other industries that provide products or services to or otherwise contract with portfolio entities of the Investment Vehicles and Other Blackstone Vehicles. In connection with any such investment, Blackstone, the Investment Vehicles or Other Blackstone Vehicles (or their respective portfolio entities) may make referrals or introductions to other portfolio entities in an effort, in part, to increase the customer base of such companies or businesses, and therefore the

value of the investment, or because such referrals or introductions may result in financial incentives (including additional equity ownership) and/or milestones benefitting the referring or introducing party that are tied or related to participation by portfolio entities. Except as described in the following sentence, where Blackstone or any Other Blackstone Vehicle (or its portfolio entity) is the referring or introducing party, the Investment Vehicles and the investors of the Investment Vehicles will not share in any fees, economics or equity accruing to Blackstone or such Other Blackstone Vehicle (or its portfolio entity) as a result of these relationships and/or participation by the Investment Vehicles' portfolio entities. There may, however, be instances where the applicable arrangements provide that the Investment Vehicle or its portfolio entities may share in some or all of any resulting financial incentives (including, in some cases, equity ownership) based on structures and allocation methodologies as determined in the sole discretion of Blackstone or its affiliates. Conversely, where the Investment Vehicle or one of its portfolio entities is the referring or introducing party, rather than receiving all of the financial incentives (including, in some cases, additional equity ownership) for similar types of referrals and/or introductions, such financial incentives (including, in some cases, equity ownership) may be similarly shared with the participating Other Blackstone Vehicles or their respective portfolio entities.

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 Investment Vehicles 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 Vehicles, real estate investment trusts ("REIT") or real estate companies in which the Other Blackstone Vehicles have an interest will compete with the Investment Vehicles for one or more investment opportunities and/or engage in activities that may have adverse consequences on the Investment Vehicles and/or their portfolio entities (including, by way of example only, as a result of laws and regulations of certain jurisdictions (*e.g.*, bankruptcy, environmental, consumer protection and/or labor laws) that may not recognize the segregation of assets and liabilities as between separate entities and may permit recourse against the assets of not just the entity that has incurred the liabilities, but also the other entities that are under common control with, or part of the same

economic group as, such entity, which may result in the assets of the Investment Vehicles and/or their portfolio entities being used to satisfy the obligations or liabilities of one or more Other Blackstone Vehicles, their portfolio entities and/or affiliates).

In addition, the Adviser may receive fees associated with capital invested by co-investors relating to investments in which the Investment Vehicles participate. This may include in connection with a joint venture in which the Investment Vehicles participate or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which the Adviser performs services.

In addition, certain properties owned by an Investment Vehicle and/or an Other Blackstone Vehicle may be leased out to tenants, and/or serviced, developed or operated by companies, which in each case are affiliates of the General Partner, including but not limited to Other Blackstone Vehicles and/or their respective portfolio entities, which would give rise to a conflict of interest. In such events, the General Partner will endeavor to ensure that such conflicts are resolved in a fair and equitable manner.

Finally, certain personnel of Blackstone and/or its affiliates may be seconded to one or more portfolio entities of the Investment Vehicles and provide finance-related and other services to such portfolio entities. The salaries, benefits, overhead and other similar expenses for such personnel during the secondment will be borne (in whole or in part) by such portfolio entities. To the extent Blackstone and/or its affiliates receive any fees or expense reimbursement from such portfolio entities with respect to such personnel, they will not result in any offset to the Management Fee.

***Joint Investment alongside Other Blackstone Vehicles.*** As noted above, participating in investments that engage portfolio entities that are owned by Other Blackstone Vehicles will subject the Investment Vehicles to certain risks and conflicts. At times, a counterparty or other unaffiliated participant may require facing only one Investment Vehicle entity (or group of entities) that owns a portfolio entity, which may result in (i) if an Investment Vehicle is a direct counterparty to a transaction, such Investment Vehicle being solely liable with respect to its own as well as Other Blackstone Vehicles' shares of any applicable obligations, (ii) having a contribution obligation to the relevant Other Blackstone Vehicles in the event that the Investment Vehicle is not a direct counterparty to a transaction and/or (iii) an Investment Vehicle being jointly and severally liable with such Other Blackstone Vehicles for the full amount of such applicable obligation, in each case which may result in the Investment Vehicle and such Other

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

***Service Providers and Counterparties.*** Certain advisors and other service providers (or their affiliates) (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, title agents, property managers and investment or commercial banking firms) to the Investment Vehicles, Blackstone and/or certain entities in which the Investment Vehicles 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 entities enter into agreements regarding group procurement (such as a group purchasing organization), benefits management, purchase of title and/or other insurance policies (which will from time to time be pooled across portfolio entities 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, discounts or similar payments to Blackstone or its affiliates (including personnel), including related to a portion of the savings achieved by the portfolio entity. Such benefits will not result in an offset to the Management Fee. Such advisors and service providers referred to above may be investors in the Investment Vehicles, affiliates of the General Partners, sources of financing and investment opportunities, or co-investors or commercial counterparties or entities in which Blackstone and/or Other Blackstone Vehicles have an investment, and payments by the Investment Vehicles and/or such portfolio entities may benefit Blackstone and/or such Other Blackstone Vehicles. Additionally, certain employees of the Adviser and Real Estate Group have family members or relatives employed by such advisors and service providers. The Adviser and/or its affiliates also provide administrative services to Investment Vehicles for a fee. These relationships may influence Blackstone, the General Partners, and/or the Adviser in deciding whether to select, recommend or create such an advisor or service provider to perform services for the Investment Vehicles or a portfolio entity (the cost of which will generally be borne directly or indirectly by the Investment Vehicles) and may incentivize Blackstone to engage such service provider over a third party and/or to utilize the services of such brokers or other service providers or to pay such brokers or other service providers, higher fees or commissions, out of the Investment Vehicles' assets, in return for such brokers or service providers' willingness to invest in the Investment Vehicles, which could result in additional fees for the Adviser. Any fees from these providers described below do not offset Management Fees payable by the investors of the Investment Vehicle. Similarly, from time to time, Blackstone personnel may speak at conferences and programs which are sponsored by the

Investment Vehicles' prime brokers, as applicable, for potential investors interested in investing in funds. Through such capital introduction events, prospective investors in the Investment Vehicles have the opportunity to meet with the Adviser. Neither the Adviser nor the Investment Vehicles will compensate the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence the Adviser in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Investment Vehicles. Notwithstanding the foregoing, transactions relating to the Investment Vehicles 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 Partners believes to be of benefit to the Investment Vehicles.

Advisers 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 Investment Vehicles and/or portfolio entities are different from those used by Blackstone and its affiliates, the Adviser or its affiliates (including personnel) may pay different amounts or rates than those paid by the Investment Vehicles and/or portfolio entities. Similarly, Blackstone, its affiliates, the Investment Vehicles, the Other Blackstone Vehicles and/or their portfolio entities may enter into agreements or other arrangements with vendors and other similar counterparties (whether such counterparties are affiliated or unaffiliated with Blackstone) from time to time whereby such counterparty may charge lower rates and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including without limitation, volume of transactions entered into with such counterparty by Blackstone, its affiliates, the Investment Vehicles, the Other Blackstone Vehicles and their portfolio entities in the aggregate. For example, certain portfolio entities enter into agreements regarding group procurement (such as CoreTrust, an independent group purchasing organization), benefits management, purchase of title and/or other insurance policies (which will from time to time be pooled across portfolio entities 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, discounts, rebates or similar payments to Blackstone or its affiliates (including personnel), including related to a portion of the savings achieved by the portfolio entity. However, the Adviser 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 Investment Vehicles and/or portfolio entities for the same services.

Because Blackstone has many different businesses, including the Blackstone Capital Markets Group, which Blackstone investment teams and portfolio entities may engage to provide underwriting and capital market advisory services, 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.

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

*BPM.* Blackstone Property Management (“BPM”) is a Blackstone affiliate that provides property management services, leasing and development management services to certain of the Investment Vehicles’ investment properties primarily located in the United Kingdom and continental Europe and BPM receives fees for such services at competitive market rates as determined by the General Partner. These fees do not offset Management Fees payable by Investment Vehicle 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 Investment Vehicles which may have historically been performed by Blackstone personnel, such as Investment Vehicle administrative services, data collection and management services, and technology implementation and support services, some of which may be paid for by the Investment Vehicle. Blackstone, through its interest in ThoughtFocus, receives an indirect benefit resulting from the Investment Vehicles’ payments for such services. These fees do not offset Management Fees payable by Investment Vehicle investors.

*Equity Healthcare.* Equity Healthcare LLC (“Equity Healthcare”) is a Blackstone affiliate that negotiates with providers of standard administrative services 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, which include unaffiliated third parties, 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 on an individual basis. The fees received by Equity Healthcare in connection with services provided to investments will not offset the Management Fee payable by investors.

*LNLS.* Blackstone partnered with a leading national title agency to create Lexington National Land Services (“LNLS”), a title agent company. LNLS acts as an agent for one or more underwriters in issuing title policies in connection with investments by the Investment Vehicles, Other Blackstone Vehicles and third parties. LNLS focuses on transactions in rate-regulated states where the cost of title insurance is non-negotiable. LNLS will not perform services in non-regulated states for the Investment Vehicles and Other Blackstone Vehicles unless in the context of a portfolio transaction that includes properties in rate regulated states, as part of a syndicate of title insurance companies where the rate is negotiated by other insurers or their agents, or when a third party is paying all or a material portion of the premium. LNLS earns fees, which would have otherwise been paid to third parties, by providing title agency services and facilitating the placement of title insurance with underwriters. Blackstone receives distributions from LNLS in connection with investments by the Investment Vehicles based on its equity interest in LNLS. In each case, there will be no related offset to the Investment Vehicles. As a result, while Blackstone believes the venture will provide services at or better than those provided by third parties (even in jurisdictions where insurance rates are regulated), there is an inherent conflict of interest that would incentivize Blackstone to engage LNLS over a third party.

One or more other such service providers may become available for acquisition by the Investment Vehicles as an investment (as a single asset or as part of another company). In such transactions, Blackstone, one or more portfolio entities and/or Other Blackstone Vehicles may be a seller to the Investment Vehicles and/or participate alongside the Investment Vehicles as a buyer. The General Partner and the Adviser 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 any such other service provider, it is anticipated that the Adviser and the General Partner will obtain such consents that may be required under the Advisers Act or other applicable laws or regulations.

In addition, investment banks or other financial institutions, as well as Blackstone employees, may also be investors in the Investment Vehicles. These institutions and employees are a potential source of information and ideas that could benefit the Investment Vehicles. The Adviser has procedures in place reasonably designed to prevent the inappropriate use of such information by the Investment Vehicles.

In addition, certain Blackstone-affiliated service providers (including portfolio entities of Other Blackstone Vehicles) and/or their respective employees will receive a management promote, an incentive fee and/or other performance-based compensation in respect of investments. Furthermore, Blackstone-affiliated service providers (including portfolio entities of Other Blackstone Vehicles) may charge costs and expenses based on allocable overhead associated with employees working on relevant matters (including salaries, benefits and other similar expenses), *provided* that these amounts will not exceed competitive market rates as determined by the General Partner to be appropriate under the circumstances. There can be no assurance that a different manner of allocation would not result in the Investment Vehicles and/or Other Blackstone Vehicles bearing less (or more) costs and expenses. Any such fees, costs and expenses will be borne by the Investment Vehicles (including in many instances indirectly through portfolio entities) and will not offset the Management Fee. The discussion regarding the determination of market rates under “—Portfolio Entity Relationships” above applies equally in respect of the fees and expenses of the Blackstone-affiliated service providers described in this section.

***Conflicting Fiduciary Duties to Debt Funds.*** It is expected that Blackstone will structure certain investments through one or more mezzanine or other investment funds, structured vehicles or other collective investment vehicles primarily investing in senior secured loans, distressed debt, subordinated debt, high-yield securities, commercial mortgage backed securities (“CMBS”) and other similar debt instruments managed by affiliates of Blackstone (collectively, “Debt Funds”). It is expected that the Debt Funds will be offered the opportunity to participate in the debt tranche of an investment allocated to the Investment Vehicles. As investment adviser to both the Investment Vehicles and the Debt Funds, Blackstone owes a fiduciary duty to the Debt Funds as well as to the Investment Vehicle. If the Debt Funds purchase high-yield securities or other debt instruments of a portfolio entity owned by the Investment Vehicles (or if an Investment Vehicle makes or has an investment in or, through the purchase of debt obligations becomes a lender to, a company or property in which a Debt Fund or an Other Blackstone Vehicle has a mezzanine or distressed debt investment), Blackstone will face a conflict of interest in respect of the advice it

gives to, or the decisions made with regard to, the Debt Funds, such Other Blackstone Vehicles and the applicable Investment Vehicle (e.g., with respect to the terms of such high-yield securities or other debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). (See “Other Fees Payable to the Adviser and its Affiliates” in **Item 5** above.)

***Other Blackstone Vehicles; Allocation of Investment Opportunities.*** Through Other Blackstone Vehicles 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 and the Asia Pacific region, Latin America and elsewhere, and not all of the opportunities suitable for the Investment Vehicles will be presented to the Investment Vehicles. As a result Blackstone currently manages and will continue to manage, sponsor and close Other Blackstone Vehicles with investment objectives that overlap with those of the Investment Vehicles.

In addition, each Investment Vehicle’s Organizational Documents set forth certain exceptions that allow specified types of investment opportunities that might otherwise fall within an Investment Vehicle’s investment objectives or strategy to be allocated to Other Blackstone Vehicles. Some of these exceptions are subject to reasonable interpretation and require the Adviser to exercise its good faith judgment in determining whether an investment opportunity should be allocated to one of the Investment Vehicles or an Other Blackstone Vehicle.

Blackstone may from time to time make and hold investments of various types with or in lieu of Other Blackstone Vehicles. Although such investments would be limited or restricted by the relevant Investment Vehicles’ Organizational Documents or the agreements for Other Blackstone Vehicles, to the extent Blackstone does make or hold such investments, many of the conflicts of interest associated with the activities of Other Blackstone Vehicles also apply to such investment activities of Blackstone.

In addition, there will be circumstances where investments that are consistent with an Investment Vehicle’s investment objectives will be required or permitted to be made by (to the potential exclusion of such Investment Vehicles) or shared with one or more Other Blackstone Vehicles, including but not limited to funds and vehicles described above and/or that have investment objectives similar to and/or overlapping with the Investment Vehicle’s.

With respect to the General Partner’s ability to allocate investment opportunities, including where such opportunities are within the common objectives and guidelines of an Investment

Vehicle and an Other Blackstone Vehicle (which allocations are to be made on a basis the General Partner believes in good faith to be fair and reasonable in its sole discretion), Blackstone has established general guidelines for determining how such allocations are to be made, which, among other things, sets forth priorities and presumptions regarding allocation for certain types of investments and other matters. The application of those guidelines may result in an Investment Vehicle not participating (and/or not participating to the same extent) in certain investment opportunities in which it would have otherwise participated had the related allocations been determined without regard to such guidelines and/or based only on the circumstances of those particular investment. Some of the factors that are taken into account when making allocation decisions pursuant to the guidelines include: the sourcing of the investment, the investment focus and investment limitations of the Other Blackstone Vehicles, the size, types and other terms of the investment and other considerations deemed relevant by the General Partner in good faith. 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 Investment Vehicles 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 Investment Vehicles. Blackstone currently manages and will continue to manage, sponsor and close a variety of Other Blackstone Vehicles that have investment objectives and/or guidelines that overlap, in whole or in part, with those of the Investment Vehicles.

To the extent any Other Blackstone Vehicles have investment objectives or guidelines that overlap with those of the Investment Vehicles, 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 Investment Vehicles and such Other Blackstone Vehicles on a basis that the General Partner or the Adviser, as applicable, determines 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 Investment Vehicles and such Other Blackstone Vehicles, (ii) legal, tax, accounting, regulatory and other considerations, and (iii) such other factors deemed relevant by the General Partner (including, but not limited to, primary and permitted investment mandates of each Investment Vehicle, specific nature (including size, type, amount, liquidity, holding period, anticipated maturity and minimum investment criteria) of the investment, estimated base case levered returns and risk profile of the investment, underwritten adjusted return profiles, anticipated cash flow, anticipated capital expenditure, level of indebtedness, current occupancy and lease profile, the investment focus and investment limitations of the applicable investment

vehicles, the specific nature (including the size, type, amount, liquidity, holding period, anticipated maturity and minimum investment criteria) of the investment and other terms of the investment, the primary and permitted investment mandates of each investment vehicles and whether such mandates may be waived by one or more governing bodies of the applicable investment vehicle, investment guidelines, limitations, strategy and objectives and geographic focus of each investment vehicle and whether such guidelines, strategy and objectives may be waived by one or more governing bodies of the applicable investment vehicle, portfolio diversification concerns (including, but not limited to, whether a particular investment vehicle already has sufficient exposure to the investments, sector, industry, geography/location or markets in question), the relative risk, return profile and distribution rates of the investment vehicles, the relative amounts of available capital in each investment vehicle and other anticipated uses of capital and remaining investment period(s), when a pro rata allocation could result in *de minimis* or odd lot allocations, regulatory considerations specific to a particular investment vehicle, including requirements imposed on portfolio construction, different liquidity positions and requirements of the investment vehicles and their investors, availability of leverage for the investment vehicles, either with respect to the particular investment under consideration or each investment vehicle's portfolio in general, anticipated cash flows, expected stability or volatility of cash flows, leverage profile, risk profile, consideration of any rights or covenants (including, but not limited to, governance rights) that inure to the benefit of the holder of the investment, co-investment arrangements for each investment vehicle, applicable co-investment arrangements and other considerations deemed relevant in good faith in their sole discretion).

There may be circumstances, including in the case where there is a seller who is seeking to dispose a pool or combination of assets, properties, securities or instruments, where an Investment Vehicle and Other Blackstone Vehicles participate in a single or related transactions with a particular seller where certain of such assets, properties, securities or instruments are specifically allocated (in whole or in part) to any of the Investment Vehicle and such Other Blackstone Vehicles. The allocation of such specific items generally would be based on the General Partner's determination of the expected returns and risk profile for such items, and in any such case the combined purchase price paid to a seller would be allocated among the multiple assets, properties, securities or instruments based on a determination by the seller, by a third party valuation firm and/or by the General Partner and its affiliates. Similarly, there will likely be circumstances, including in the case where there is a single buyer who is seeking to purchase a pool or combination of assets, properties, securities or instruments, where the Investment Vehicle and Other Blackstone Vehicles participate in a single or related transactions with such buyer where certain of such assets, properties, securities or instruments are specifically

allocated (in whole or in part) to any of the Investment Vehicle and such Other Blackstone Vehicles. The allocation of such specific items generally would be based on the General Partner's determination of the expected returns for such items, and in any such case the combined purchase price paid by such buyer would be allocated among the multiple assets, properties, securities or instruments based on a determination by such buyer, by a third party valuation firm and/or by the General Partner and its affiliates. There can be no assurance that the relevant investment will not be valued or allocated a purchase price that is higher or lower than it might otherwise have been allocated or received if such investment were sold independently rather than as a component of a portfolio sale that contains investments of Other Blackstone Vehicles.

Certain of the Investment Vehicles' Organizational Documents specify that Blackstone (which includes participation by Blackstone professionals and employees and Other Blackstone Vehicles or entities and other key advisors/relationships of Blackstone) and its affiliates will be permitted to make investments along the Investment Vehicles up to a maximum specified percentage of the total investment amount. Certain Other Blackstone Vehicles can be expected to participate in such investment opportunities through Blackstone's side by side co-investment rights. Such side-by-side investments do not bear fees and generally result in the Investment Vehicles 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 Vehicles in connection with such investments.

Such variation may create an incentive for Blackstone to allocate a greater percentage of an investment opportunity to the Investment Vehicles or such Other Blackstone Vehicles, as the case may be.

There are also circumstances where debt financing is provided by a Blackstone Investor or an affiliate thereof. Any such financing would be in addition to funds provided in accordance with any such investor's capital commitment and shall in no way reduce the unused capital commitment of such investor with respect to any investment. As a general matter, the General Partner, in its sole discretion, may request proposals from investors or their affiliates to provide any such debt financing and the General Partner, in its sole discretion, will determine which proposals, if any, are acceptable to the Investment Vehicles. As a general matter, in determining the allocation of debt financing opportunities, the General Partner generally expects to take into account various facts and circumstances it deems relevant. Such factors are likely to include,

among others, whether a potential lender has expressed an interest in evaluating debt financing opportunities, whether a potential lender has a history of participating in debt financing opportunities generally and with Blackstone in particular, the size of the potential lender's loan amount, the timing of the investment, the availability of other sources of financing, the creditworthiness of the investor or its affiliates, whether the potential lender has demonstrated a long-term and/or continuing commitment to the potential success of Blackstone, real estate funds, the Investment Vehicle, or other debt financing opportunities and/or Other Blackstone Vehicles, and such other factors that Blackstone deems relevant under the circumstances.

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 Investment Vehicles' 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 Investment Vehicles, and there may be opportunities available to the Investment Vehicles 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 Investment Vehicles, 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 Investment Vehicles not participating in any such investments or participating therein to a lesser extent. In addition, the Investment Vehicles 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 Investment Vehicle'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 an Investment Vehicle has made an investment. In such situations, an Investment Vehicle 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).



***Co-Investment Opportunities.*** There are expected to be circumstances where an amount that would have otherwise been invested by an Investment Vehicle will instead be allocated to co-investors (who may or may not be investors of the Investment Vehicle, including, for greater certainty, investors of Other Blackstone Vehicles), and there is no guarantee for any investor in an Investment Vehicle that it will be offered any co-investment opportunities. As a general matter, the allocation of co-investment opportunities is entirely discretionary on the part of the General Partner and it is expected that many investors who may have expressed an interest in co-investment opportunities may not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested by such investors or preliminarily targeted by Blackstone. The General Partner or the Adviser, as applicable, will take into account various facts and circumstances deemed relevant by the General Partner or the Adviser in allocating co-investment opportunities, including, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, the General Partner's assessment of a potential co-investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction) and the General Partner's assessment of a potential co-investor's ability to commit to a co-investment opportunity within the required timeframe of the particular transaction. Additional considerations may also include, among others and without limitation, the size of investor commitments to the Investment Vehicle, Other Blackstone Vehicles 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 Investment Vehicle's investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in the Investment Vehicle), whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of Blackstone, the Investment Vehicles or other co-investments and/or Other Blackstone Vehicles, whether the potential co-investor has an overall strategic relationship with Blackstone that provides it with more favorable rights with respect to co-investment opportunities, whether the co-investor is considered "strategic" to the investment because it is able to offer the Investment Vehicle certain benefits, including but limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the portfolio entity or the possession of certain expertise, the transparency and predictability of the potential co-investor's investment process, whether Blackstone has previously expressed a general intention to seek to offer co-investment opportunities to such potential co-investor, the familiarity Blackstone has with the personnel and professionals of the investor in working together in investment contexts (which may include such potential co-investor's history of investment in the

Investment Vehicles, Blackstone, Other Blackstone Vehicles and/or other Blackstone co-investment opportunities), the extent to which a potential co-investor has been provided a greater amount of co-investment opportunities relative to others, the ability of a potential co-investor to invest in potential add-on acquisitions for the portfolio entity or participate in defensive investments, the likelihood that the potential co-investor would require governance rights that would complicate or jeopardize the transaction (or, alternatively, whether the investor would be willing to defer to Blackstone and assume a more passive role in governing the portfolio entity), any interests a potential co-investor may have in any competitors of the underlying portfolio entity, the tax profile of the potential co-investor and the tax characteristics of the investment (including whether or not the potential co-investor would require particular structuring implementation or covenants that would not otherwise be required but for its participation), whether a potential co-investor's participation in the transaction would subject the Investment Vehicle and/or portfolio entity to additional regulatory requirements, review and/or scrutiny, including any necessary governmental approvals required to consummate the investment, the potential co-investor's chemistry with the potential management team of the portfolio entity, whether the potential co-investor has any existing positions in the portfolio entity (whether in the same security in which the Investment Vehicle is investing or otherwise), whether there is any evidence to suggest that there is a heightened risk with respect to the potential co-investor maintaining confidentiality, whether the potential co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for distributions, whether the expected holding period and risk-return profile of the investment is consistent with the stated goals of the investor, and such other factors that Blackstone may in good faith deem relevant and believes to be appropriate in the circumstances. In particular, Blackstone may agree with investors (including third party investors and investors in the Investment Vehicles) 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 the Investment Vehicles' investors. Subject to the terms of the relevant Organizational Documents, the General Partner of certain Investment Vehicles may cause an Investment Vehicle to initially acquire a portion of an investment for the purpose of syndicating such portion to one or more potential co-investment vehicles established and/or controlled by the General Partner and/or affiliates. Furthermore, in connection with any such co-investment by co-investors (including by third party co-investors), Blackstone may establish one or more investment vehicles managed or advised by Blackstone to facilitate such co-investors' investment alongside the Investment Vehicles. The amount and frequency of co-investment by the co-investment vehicle would be at the discretion of the General Partner. It is possible that the co-investment vehicle would result in fewer co-investment opportunities to investors who do not

participate therein and allocations to the co-investment vehicle are likely to result in the Investment Vehicles investing less than it would have in the related investment. The General Partner and/or its affiliates may also offer certain potential co-investors the opportunity to co-invest on more favorable terms as compared to other co-investors, including with respect to discounts of performance-based compensation and/or management fee.

In addition, the General Partner and/or its affiliates may be incentivized to offer certain potential co-investors opportunities to co-invest since the amount of performance-based compensation and/or Management Fee to which the General Partner and/or its affiliates are entitled under the arrangements with such co-investors, including with respect to such co-investor's participation in the Investment Vehicles and/or Other Blackstone Vehicles may depend on, among other things, the extent to which such co-investors participates in co-investments. Such incentives will from time to time give rise to conflicts of interest, and there can be no assurance that any investment opportunities that would have otherwise been offered to the Investment Vehicles will be made available to the Investment Vehicles. It is expected that many investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested. Co-investments may be offered by the General Partner on such terms and conditions (including with respect to Management Fees, performance-based compensation and related arrangements) as the General Partner determines in its discretion on a case-by-case basis.

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, provide for referral, sourcing or sharing of investment opportunities. Blackstone may pay management fees and performance-based compensation in connection with such arrangements. Blackstone may also provide for reimbursement of certain expenses incurred by such third parties in connection with these arrangements, including diligence expenses and general overhead, administrative, deal sourcing and related corporate expenses. While it is possible that the Investment Vehicles 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 Investment Vehicles would instead be referred (in whole or in part) to such third party. It is also possible that one or more Blackstone affiliates (*e.g.*, Blackstone Innovations) will participate in certain investment opportunities sourced by such third parties. For example, a firm with which Blackstone has entered into a strategic relationship may be afforded with "first-call" rights on a

particular category of investment opportunities or co-investment opportunities. (See, for example, “—Blackstone’s Relationship with Pátria” above).

***Portfolio Entities and Joint Ownership with Other Blackstone Vehicles.*** In addition to the use of the services of operating partners as further described above under “—Service Providers and Counterparties,” it is expected that the Investment Vehicles will participate in investments that will then engage portfolio entities (as used in this discussion, a “portfolio entity” includes any entity that provides a service or management function) owned by Other Blackstone Vehicles for services, including but not limited to property management services, leasing services, corporate support services, statutory services, transaction support services (including but not limited to coordinating with brokers, lawyers, accountants and other advisors, assembling relevant information, conducting financial and market analyses, and coordinating closing procedures), construction and development management, and loan management and servicing, and within one or more such categories, providing services in respect of asset and/or investment administration, accounting, technology, tax preparation, finance (including but not limited to budget preparation and preparation and maintenance of corporate models), treasury, operational coordination, risk management, insurance placement, human resources, legal and compliance, valuation and reporting-related services (for more information on certain portfolio entities providing such services, see “—Portfolio Entity Relationships” below). Participating in investments that engage portfolio entities that are owned by Other Blackstone Vehicles will subject the Investment Vehicles to certain risks and conflicts.

In the future Blackstone may structure one or more such portfolio entities to be owned by the Investment Vehicles and/or one or more Other Blackstone Vehicles. Such ownership could change periodically as the set of investments and/or underlying assets that are being managed or provided services by a portfolio entity changes (for example, as a result of a disposition). This will lead to such portfolio entity being owned by a different set of Other Blackstone Vehicles at different times.

In the case of certain investments, the Investment Vehicles will enter into an arrangement with one or more individuals (who may have experience or capability in sourcing and / or managing investments) to undertake a build-up strategy to acquire and develop assets and businesses in a particular sector or involving a particular strategy. The counterpart individuals may be compensated with a salary and/or incentive plan. In such circumstances, the Investment Vehicle would initially invest capital to fund a portion of the overhead (including rent, benefits, salary or retainers for the counterpart individuals) and sourcing costs for such investments. The Investment Vehicle (and indirectly the investors therein, and not solely the General Partner and

its affiliates) will bear the cost of overhead and the sourcing of such investments, as well as compensation for the related counterparties.

Other actual, apparent and potential conflicts of interest may arise in respect of such portfolio entities and there can be no assurance that Blackstone will be able to resolve such conflicts in the best interests of the Investment Vehicles and/or the applicable Other Blackstone Vehicles.

***Other Real Estate Vehicles.*** Blackstone reserves the right to raise and/or manage additional real estate investment funds or vehicles (“Other Real Estate Vehicles”) that may have the same or similar investment objectives as the Investment Vehicles, including such Other Real Estate Vehicles’ related vehicles and successors thereto. The closing and/or management of such Other Real Estate Vehicle will result in the reallocation of Blackstone personnel, including reallocation of existing real estate professionals, to such Other Real Estate Vehicles. In addition, potential investments that are suitable for the Investment Vehicles may be directed (in whole or in part) toward such Other Real Estate Vehicles.

***Relationships with Counterparties.*** Borrowers, lenders, sellers, issuers and/or other similar parties (“Counterparties”) are or will be counterparties or participants in agreements, transactions or other arrangements with portfolio entities of other investment funds managed by Blackstone or other Blackstone affiliates for the arranging, underwriting, syndication or refinancing of an investment or other services provided by such portfolio entities or other Blackstone affiliates (including, without limitation, loan modification or restructuring services, loan servicing, administrative services, loan/asset management services, monitoring and oversight of loans, advisory services, property/asset management services, and title insurance services) that, although Blackstone determines to be consistent with the requirements of the Organizational Documents of the Investment Vehicles, would not have otherwise been entered into but for the affiliation with Blackstone, and which involve fees and/or servicing payments to Blackstone-affiliated entities which are not subject to the Management Fee offset provisions. In connection with such relationships, Blackstone may also make referrals and/or introductions to certain Counterparties (which may result in financial incentives (including additional equity ownership) and/or milestones benefiting Blackstone that are tied or related to participation by such Counterparties). The Investment Vehicles and their investors will not share in any fees or economics accruing to Blackstone as a result of these relationships and/or participation by such Counterparties.

***Activities of Principals and Employees.*** Certain of the principals and employees of the Adviser may be subject to a variety of conflicts of interest relating to their responsibilities to the Investment Vehicles and the management of investment portfolio of the Investment Vehicles. Such individuals may serve in an advisory capacity to other managed accounts or investment vehicles and as members of an investment or advisory committee or board of directors (or similar such capacity) for one or more investment funds, corporations, foundations or other organizations. Such positions may create a conflict between the services and advice provided to such entities and the responsibilities owed to the Investment Vehicles. Furthermore, certain principals and employees of the Adviser may have a greater financial interest in the performance of such other funds or accounts than the performance of the Investment Vehicles. Such involvement may create conflicts of interest in making investments on behalf of the Investment Vehicles and such other funds and accounts. Such principals and employees will seek to limit any such conflicts in a manner that is in accordance with their fiduciary duties to the Investment Vehicles and such organizations.

***Joint Venture Partners.*** The Investment Vehicles have and will 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 will involve performance-based compensation and/or other fees payable to such Joint Venture Partners (as determined by the General Partner in its sole discretion) payable by the joint vehicle or investment, which will reduce the actual returns realized by investors on their investments in Investment Vehicles.

***Loan Refinancings; Investments in Portfolio Entities.*** The Investment Vehicles have and expect to continue to participate in investments relating to (i) the refinancing of loan investments or portfolios held by certain Other Blackstone Vehicles and/or (ii) portfolio entities of one or more Other Blackstone Vehicles, including primary or secondary issuances of loans or other interests by such portfolio entities. While it is expected that the participation of the Investment Vehicles in connection with any such transactions will be at arms’ length and on market rates, such transactions will generally give rise to potential or actual conflicts of interest, which could adversely impact the Investment Vehicles.

***Co-Investment; Investments in Which Other Blackstone Vehicles Have a Different Principal Investment.*** Certain Investment Vehicles have co-invested and along with other Investment Vehicles will likely co-invest in the future with Other Blackstone Vehicles, investors in the Investment Vehicles and/or other third parties in investments that are suitable for the Investment

Vehicles and such Other Blackstone Vehicles. To the extent an Investment Vehicle holds securities that are different (including with respect to their relative seniority) than those held by such Other Blackstone Vehicles, conflicts of interest may arise between such Investment Vehicle and such Other Blackstone Vehicles. In order to mitigate any such conflicts of interest, such Investment Vehicle may recuse itself from participating in any decisions relating or with respect to such securities held by such Other Blackstone Vehicles. Notwithstanding that, if the Other Blackstone Vehicles maintain voting rights with respect to the securities they hold or, if such Investment Vehicle does not recuse itself, Blackstone may be required to take action where it will have conflicting loyalties between its duties to such Investment Vehicle and to such Other Blackstone Vehicles, which may adversely impact such Investment Vehicle.

In addition, Other Blackstone Vehicles (*e.g.*, Blackstone Real Estate Debt Strategies (“BREDS”) and/or Blackstone Mortgage Trust Inc. (“BXMT”)) will likely invest in debt securities and other obligations relating to Investment Vehicle investments, including portfolio entities in which an Investment Vehicle makes or has an investment. Conflicts of interest will likely arise between such Investment Vehicle and such Other Blackstone Vehicles in connection with such debt securities and other obligations. For example, if an Investment Vehicle makes or has an equity investment in a portfolio entity in which an Other Blackstone Vehicle has an investment, or if an Other Blackstone Vehicle (*e.g.*, BREDS and/or BXMT), through the purchase of debt obligations or otherwise, becomes a lender to a portfolio entity in which an Investment Vehicle has a debt or equity investment, or if an Investment Vehicle and an Other Blackstone Vehicle (*e.g.*, BREDS and/or BXMT), participate in separate tranches of a fundraising with respect to a portfolio entity, Blackstone will generally have conflicting loyalties between its duties to the Investment Vehicle and to such Other Blackstone Vehicle. In that regard, actions in addition to those described in the preceding paragraph may be taken for the benefit of the Other Blackstone Vehicle that are adverse to the Investment Vehicle and, vice versa, actions may be taken for the benefit of the Investment Vehicle that are adverse to the Other Blackstone Vehicle. In connection with such shared investments, Blackstone will generally seek to implement certain procedures to mitigate conflicts of interest. These mitigation procedures typically involve (i) the maintenance of a non-controlling interest in such investment and a forbearance of rights – including certain non-economic rights – relating to an Other Blackstone Vehicle, such as where Blackstone causes an Other Blackstone Vehicle to decline to exercise certain voting, control- and/or foreclosure-related rights with respect to a portfolio entity or the seniority or class of loan or instrument held by an Investment Vehicle (including following the vote of other third party lenders generally (or otherwise recusing itself with respect to decisions), and/or (ii) the General Partner may cause the Investment Vehicle to recuse itself from participating in any decisions related to equity or debt

securities and/or other obligations held by such Other Blackstone Vehicle, including in each case with respect to actions and/or decisions with respect to defaults, foreclosures, workouts, restructurings and/or exit opportunities), subject to certain limitations. There can be no assurance that any such conflict will be resolved in favor of the Investment Vehicles and Blackstone may be required to take action where it will have conflicting loyalties between its duties to the Investment Vehicles and to Other Blackstone Vehicles, which may adversely impact the Investment Vehicle.

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 Investment Vehicles' investment will be equivalent to or better than the returns obtained by other Blackstone affiliates participating in the investment. In addition, it is possible that in a bankruptcy proceeding an Investment Vehicles' interests may be subordinated or otherwise adversely affected by virtue of such Other Blackstone Vehicles' involvement and actions relating to such investment. For example, in a bankruptcy proceeding, in circumstances where the Investment Vehicle holds an equity investment in a portfolio entity, the holders of such portfolio entity's debt instruments (which may include Other Blackstone Vehicles) may take actions for their benefit (particularly in circumstances where such portfolio entity faces financial difficulties or distress) that subordinate or adversely impact the value of an Investment Vehicle's investment in such portfolio entity. In connection with negotiating senior loans and bank financings in respect of Blackstone-sponsored transactions, Blackstone will generally 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 upon a set of terms already negotiated by and agreed with third parties. Blackstone does not believe that this arrangement has an effect on the overall terms and conditions negotiated with the arrangers of such senior loans other than as described in the preceding sentence.

***Blackstone Involvement in Financing of Third Party Acquisitions and Dispositions by the Investment Vehicles.*** One or more of the Investment Vehicles has disposed and other Investment Vehicles will likely dispose of all or a portion of an investment by way of a third party purchaser's bid or acquisition whereby Blackstone or one or more Other Blackstone Vehicles provide financing as part of such bid or acquisition of such investment or the underlying assets thereof. This generally would include circumstances where Blackstone or one or more Other Blackstone Vehicles makes a commitment to provide financing at, prior to, or around the time such third party purchaser commits to purchase or purchases such investment or assets from an Investment Vehicle. In addition, Blackstone or one or more Other Blackstone Vehicles will likely provide financing with respect to one or more portfolio entities or borrowers in connection



with a proposed acquisition or investment by the Investment Vehicle relating to such portfolio entities, their underlying assets and/or assets that they manage. The involvement of Blackstone or one or more Other Blackstone Vehicles as a provider of debt financing in connection with the potential acquisition or disposition of portfolio investments by third parties from or to an Investment Vehicle will give rise to potential or actual conflicts of interest. In circumstances where one or more Other Blackstone Vehicles is providing debt financing in connection with the potential acquisition or disposition of portfolio investments or assets, the General Partner may be motivated to cause the Investment Vehicle to agree to terms that are less favorable to the applicable portfolio entity and/or the Investment Vehicle than might have otherwise been obtained if such debt financing was not available, which may adversely impact such Investment Vehicle.

***Investments in Portfolio Entities Alongside Other Blackstone Vehicles.*** The Investment Vehicles will also co-invest with Other Blackstone Vehicles (including co-investment or other vehicles in which Blackstone or its personnel invest and that co-invest with such Other Blackstone Vehicles) in investments that are suitable for one or more of the Investment Vehicles and such Other Blackstone Vehicles. Even if the Investment Vehicles (or any such Other Blackstone Vehicles) invest in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for such Investment Vehicles and/or such Other Blackstone Vehicles may not be the same. Additionally, such Investment Vehicles and/or such Other Blackstone Vehicles will generally have different terms, investment periods, investment objectives (including return profiles) and/or investment limitations and Blackstone, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. To the extent that the Investment Vehicles hold interests that are different (or more senior) than those held by such Other Blackstone Vehicles, the General Partner and the Adviser may be presented with decisions involving circumstances where the interests of such Other Blackstone Vehicles are in conflict with those of the Investment Vehicles. In particular, the Adviser may be presented with such conflicts in light of its role as investment adviser to both of the Investment Vehicles. Furthermore, it is possible the Investment Vehicles' interest may be subordinated or otherwise adversely affected by virtue of such Other Blackstone Vehicle's involvement and actions relating to its investment. See also **Item 10 - Cross-Guarantees and Cross-Collateralization** above.

***Valuation Matters.*** The fair value of all investments or of property received in exchange for any investments will be determined by the General Partner in accordance with the applicable

Investment Vehicle's valuation policies and procedures. 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 investment 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 an Investment Vehicle were purchased by investors or repurchased by the Investment Vehicle or the fees and/or performance-based compensation paid to the Adviser, the General Partner, to the extent any valuation proves to not accurately reflect the realizable value of an asset in any Investment Vehicle. The valuation of investments will affect the amount and timing of the General Partner's performance-based compensation and, under certain circumstances and, as applicable, following the applicable Investment Vehicle's investment period, the amount of Management Fees payable to the Adviser. The valuation of investments may also affect the ability of Blackstone to raise successor funds to the Investment Vehicles. As a result, there may be circumstances where the General Partner or the Adviser, as applicable, is incentivized to determine valuations that are higher than the actual fair value of investments.

The valuation methodology for BPP differs from the valuation methodologies of the Other Core+ Vehicles as further described below. The price an investor pays for interests in BPP, and the price at which an investor's interests in BPP may be redeemed, are based on net asset value of BPP, 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 are conducted in accordance with BPP's valuation policy, as applicable, which has been established and can be modified by the General Partner in the case of the Investment Vehicles. All properties acquired by BPP 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, and no less than annually thereafter. Each appraisal is performed in accordance with the Uniform Standards of Professional Appraisal Practice and reviewed by BPP's 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, as described below, values each property of BPP 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 basis. Such valuation by the General Partner is inherently subjective. The independent valuation advisor reviews the General Partner's valuations quarterly and provides BPP with review letters confirming that the valuations are reasonable. The independent valuation advisor's review is based on asset and portfolio level information provided by the General Partner 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 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 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 values investment level debt with input and/or review, upon the General Partner's request, from a third party advisor.

***Side Letters and Agreements.*** The General Partners, the Adviser and its affiliates have entered into and will continue to enter into "side letters" or other similar agreements with certain investors in connection with their admission to the Investment Vehicles without the approval of any other investor, which would have the effect of establishing rights under or altering or supplementing the terms of the applicable Organizational Documents with respect to such investors in a manner more favorable to such investors than those applicable to other investors in the Investment Vehicles. Such rights or terms in any such side letter or other similar agreement may include, 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 Investment Vehicles, (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 Investment Vehicle's Organizational Documents 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 (including, for example, with respect to any servicing fees and/or Management Fees), (viii) matters regarding such investor's right to participate in co-investment opportunities, (ix) additional obligations, and restrictions of the Investment Vehicles 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 Investment Vehicles, 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 Investment Vehicles. Such side letters may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Side letters generally will not provide for reduction in Management Fees or performance-based compensation. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor's assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding any other provision of the applicable Investment Vehicle's Organizational Documents. A copy of the applicable provisions of each side letter (without duplication) that is entered into 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 Investment Vehicles' 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 Investment Vehicles. 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 Investment Vehicles. 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 Investment Vehicles), 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 Management Fees to be charged with respect thereto)), which may include investments made by the Investment Vehicles. 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 Investment Vehicles, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to the Investment Vehicles' and/or Blackstone's activities pertaining thereto in one or more respects. In addition, Blackstone may from time to time agree to certain matters relating to knowledge transfer and/or secondments with one or more investors as part of an overall firm relationship. Additionally, it is expected that investors who designate representatives to participate on the L.P. Advisory Committee, if applicable, may, by virtue of such participation, have more information about the relevant Investment Vehicle and investments in certain circumstances than other investors generally and may be provided information in advance of communication to other investors generally. 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 investors, and as a result investors will not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Investment Vehicles or that such arrangements will not influence Blackstone's activities or the operation of the Investment Vehicles.

**Indemnification.** The Investment Vehicles will be required to indemnify the General Partners, the Adviser, their affiliates, and each of their respective members, officers, directors, employees,

shareholders, agents, partners, and certain other persons who serve at the request of the General Partners, or the Adviser on behalf of the Investment Vehicles for liabilities incurred in connection with the affairs of the Investment Vehicles. Members of any applicable Investment Vehicle's L.P. Advisory Committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the respective Organizational Documents of each Investment Vehicle. 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 Partners may be subject to derivative or other similar claims brought by security holders of such companies. The indemnification obligation of the Investment Vehicles would be payable from the assets of the Investment Vehicles, including the unpaid capital commitments of the investors. If the assets of the Investment Vehicles are insufficient, the General Partners may recall distributions previously made to the investors in such Investment Vehicles, subject to certain limitations set forth in the respective Organizational Documents of each Investment Vehicle. It should be noted that the General Partners may cause the Investment Vehicles to purchase insurance for the Investment Vehicles, the General Partners, the Adviser and their employees, agents and representatives. In addition, because the General Partners may cause the Investment Vehicles 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 Investment Vehicles are advancing expenses to an individual or entity with whom the Investment Vehicles are not aligned or are otherwise an adverse party in a dispute. Moreover, in its capacity as General Partner of the Investment Vehicles, the General Partners 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 Partners (and/or its legal counsel) have determined that such disqualifying conduct did not occur.

***Insurance.*** The General Partner has caused and will cause in the future one or more Investment Vehicles to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the applicable Investment Vehicles, the General Partner, the Adviser, Blackstone and/or their respective directors, officers, employees, agents, representatives, members of the L.P. Advisory Committees, as applicable, and other indemnified parties, against liability in connection with the activities of the Investment Vehicles. This includes a portion of any premiums, fees, costs and expenses for one or more "umbrella" or

other insurance policies maintained by Blackstone that cover one or more Investment Vehicles, Other Blackstone Vehicles, the Adviser and/or Blackstone (including their respective directors, officers, employees, agents, representatives, members of the L.P. Advisory Committees, as applicable, and other indemnified parties). The General Partner will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Investment Vehicles, Other Blackstone Vehicles, the Adviser and/or Blackstone on a fair and reasonable basis, in their sole discretion, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in an Investment Vehicle bearing less (or more) premiums, fees, costs and expenses for insurance policies.

***Diverse Investor Group.*** Investors in the Investment Vehicles may have conflicting investment, tax and other interests with respect to their investments in such Investment Vehicles and with respect to the interests of investors in Other Blackstone Vehicles that may participate in the same investments as the Investment Vehicles. 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 Investment Vehicles 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 Adviser, 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 Investment Vehicles 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 Investment Vehicles, the General Partners and the Adviser will consider the investment and tax objectives of the Investment Vehicles 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 Investment Vehicles), not the investment, tax or other objectives of any investor individually. In addition, certain investors in an Investment Vehicle may also be investors in Other Blackstone Vehicles, including co-investment vehicles that may invest alongside one or more of the Investment Vehicles in one or more investments. Investors may also include affiliates of Blackstone, such as Other Blackstone Vehicles, 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 an Investment Vehicle or an Investment

Vehicle's portfolio entities may be counterparties (such counterparties dealt with as described in "—Portfolio Entity Relationships" above) or participants in agreements, transactions or other arrangements with an investor in an Investment Vehicle or an affiliate of such an investor. Such transactions may include agreements to pay performance fees to operating partners in connection with an Investment Vehicle's investment therein, which will reduce such Investment Vehicle'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 Investment Vehicles than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and the General Partner and its affiliates may not be motivated to act solely in accordance with its interests relating to the Investment Vehicles. Similarly, not all investors monitor their investments in vehicles such as the Investment Vehicles in the same manner. For example, certain investors may periodically request from the General Partner information regarding an Investment Vehicle and its 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 Partner may provide such information to such investor, but because it has provided such information upon request by one or more investors does not mean the General Partner will be obligated to affirmatively provide such information to all investors (although the General Partner will generally provide the same information upon request and treat investors equally in that regard). As a result, certain investors may have more information about an Investment Vehicle than other investors, and the General Partner will have no duty to ensure all investors seek, obtain or process the same information regarding the Investment Vehicle and its investments and/or portfolio entities.

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

***Additional Potential Conflicts.*** The officers, directors, members, managers and employees of the Adviser may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law and Blackstone policies or otherwise determined from time to time by the Adviser. In addition, as a consequence of Blackstone's status as a public



company, the officers, directors, members, managers and employees of the Adviser may take into account certain considerations and other factors in connection with the management of the business and affairs of the Investment Vehicles and its affiliates that would not necessarily be taken into account if Blackstone were not a public company.

**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 the alternative investment industry. The SEC's list of examination priorities includes, among other things, alternative investment firms' collection of fees and allocation of expenses, their marketing and valuation practices, allocation of investment opportunities and other conflicts of interests. Blackstone is regularly subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which Blackstone routinely cooperates and, in the current environment, even historical practices that have been previously examined are being revisited. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against Blackstone or its personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm Blackstone and the Investment Vehicles. While it is difficult to predict what impact, if any, the foregoing may have, there can be no assurance that any of the foregoing, whether applicable to Blackstone specifically or the underlying private equity funds in which Blackstone invests generally, would not have a material adverse effect on the Investment Vehicles and its ability to achieve its investment objectives. As a result, there can be no assurance that any of the foregoing will not have an adverse impact on Blackstone or otherwise impede the Investment Vehicles' ability to effectively achieve its investment objectives.

**Other Financial Industry Affiliations**

The Adviser is an affiliate of the following entities:

<b>Broker-Dealer Entities</b>	
Blackstone Advisory Partners L.P.	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
Incenter Securities Group LLC***	Provides a variety of limited investment banking services
<b>Investment Advisor Entities</b>	
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 L.L.C.	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 a number of debt-focused private investment funds

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 L.P.	Provides investment advisory services to private investment funds specializing in mezzanine financing
Blackstone Real Estate Advisors Europe L.P.	Provides investment advisory services to various 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
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 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 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
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.
BXMT Advisors L.L.C.	Provides investment advisory services to a REIT and other investment vehicles
BX REIT Advisors L.L.C.	Provides investment advisory services to a public, 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
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 separately managed accounts
GSO Capital Partners International LLP	Provides investment advisory services to a number of debt-focused private investment funds and separately managed accounts
GSO Capital Partners LP	Provides investment advisory services to a number of debt-focused private investment funds and closed-end funds
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
Incenter Capital Management LLC***	Provides investment advisory services to mortgage related asset private funds
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
Blackstone Advisors India Private Limited	India 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
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
Blackstone (Shanghai) Equity Investment Management Co. Ltd.	Chinese investment advisory firm, which serves as sub-advisor to the Registrant
Blackstone (Shanghai) Equity Investments Management Co. Ltd. – Beijing Branch Office	Chinese investment advisory firm, which serves as sub-advisor to the Registrant
The Blackstone Group Spain SLU	Spain investment advisory firm, which serves as a sub-advisor to the registrant
<b>Registered Commodity Trading Advisor and/or Registered Commodity Pool Operator Entities</b>	
Blackstone Alternative Investment Advisors LLC (CTA/CPO)	Provides investment advisory services to open end mutual funds
Blackstone Alternative Solutions L.L.C. (CTA/CPO)	Provides investment advisory services to private investment funds which participate in a broad range of direct investment opportunities
Blackstone Strategic Alliance Advisors L.L.C. (CTA/CPO)	Manages a series of private funds engaged in a hedge fund “seeding” program
Blackstone Strategic Capital Advisors L.L.C. (CTA/CPO)	Manages private funds engaged in acquisitions of minority interests in alternative asset managers
First Eagle Investment Management, LLC* (CTA/CPO)	Provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals
Blackstone Alternative Asset Management Associates L.L.C. (CPO)	Serves as general partner of BAAM Funds which are structured as limited partnerships

Blackstone Treasury Solutions Advisors L.L.C. (CPO)	Provides investment advisory services to funds invested primarily in diversified fixed income and hedge fund products
<b>Insurance Entities</b>	
Boston National Holdings LLC***	A wholly owned subsidiary of Incenter and is a title insurance agency
Lexington National Land Services**	Places title insurance and provide title services for real property owned by various funds and/or their portfolio entities
Rothsay Life Plc***	Life insurer specializing in bulk annuities and other de-risking solutions for defined benefit pension schemes and insurance companies

\* Portfolio entity of affiliated private equity fund

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

\*\*\* Portfolio entity of affiliated investment funds

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

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

In addition, other present and future activities of Blackstone and its affiliates (including the Adviser) will from time to time give rise to additional conflicts of interest relating to the Investment Vehicles, and their investment activities. In the event that any such conflict of interest arises, Blackstone 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 Investment Vehicles' interests.

**A more detailed description of applicable conflicts of interest is set forth in the Offering Materials of each Investment Vehicle.**

## Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

The Adviser 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 Investment Vehicles it manages. The Code of Ethics is reasonably designed to ensure that the Adviser meets its fiduciary obligation to the Adviser’s clients (or prospective clients) and to instill a culture of compliance within the Adviser. 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. The Adviser 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 Vehicles; Allocation of Investment Opportunities” describing conflicts related to allocation of investment opportunities among Investment Vehicles sponsored by Blackstone and co-investors. The Adviser has adopted policies and procedures reasonably designed to address such potential conflicts of interest.

The Adviser’s related persons will from time to time have bought or sold, or will subsequently buy or sell, for their personal accounts, securities which are also purchased or sold for the



account of the Adviser's clients. The Adviser and its related personnel are subject to guidelines governing the ability to trade in personal accounts. The guidelines generally require that such personal securities transactions receive pre-clearance from the Blackstone Legal and Compliance Department. These guidelines are reasonably designed to comply with SEC requirements that registered investment advisers 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 Adviser's Chief Compliance Officer, Judy Turchin; (212) 583-5000; [judy.turchin@blackstone.com](mailto:judy.turchin@blackstone.com).

The Adviser does not participate in principal trading generally; however, the Adviser would be permitted to if the Adviser obtained appropriate investor approvals.

## Item 12 – Brokerage Practices

The Adviser does not generally trade in public securities. In the event the Adviser executes a brokerage transaction for the Investment Vehicles (*e.g.*, trades in public securities as part of or following an initial public offering of a portfolio entity), the Adviser will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

## Item 13 – Review of Accounts

### *Review of Accounts*

Currently, the only accounts under the supervision of the Adviser are the accounts of the Investment Vehicles. The Investment Vehicles' accounts and investment positions are monitored by the Adviser's personnel on a regular and current basis. The Adviser might periodically review on an expedited basis the assets of an Investment Vehicle 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 discuss investments around the world. The Investment Committee's discussions are led by the Real Estate Group's Global Head and its Chief Investment Officer. The Investment Committee also includes all Senior Managing Directors in the Real Estate Group, as well as senior executives of Blackstone, including Blackstone's Chairman and CEO and 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. Certain significant investments of the Investment Vehicles are reviewed and approved by the Investment Committee. Smaller investments are reviewed by a prescribed subset of the Investment Committee. The Investment Committee utilizes a consensus-based approach to decision making among the members.

### *Reports to Clients*

Investors in the Investment Vehicles generally will receive written periodic reports which will include capital balance and Investment Vehicle performance statistics. Investors in the Investment Vehicles will also receive written annual audited financial statements for the Investment Vehicle in which they are invested. The Adviser 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 Investment Vehicles.

The Adviser generally will provide information that certain investors in the Investment Vehicles may request, including additional information relating to the Investment Vehicles, to the extent such information is readily available or may be obtained without unreasonable effort or expense. Investors that request and receive such information will consequently possess information regarding the business and affairs of the Investment Vehicles 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

The Adviser has distribution and/or placement agent arrangements with a number of unaffiliated third parties. Such unaffiliated third parties may form investment vehicles for the purpose of investing in any Investment Vehicle and the capital commitments of such third party investment vehicles may account for a substantial portion of the overall capital commitments to such Investment Vehicle. In a typical distribution or placement agent arrangement, the Adviser agrees to pay a third-party solicitor for referring investors into an Investment Vehicle. Typically, third-party solicitors will receive compensation based on the commitment amounts of the investors they solicited (although other payment arrangements could exist).

A prospective investor solicited by a third-party solicitor engaged by the Adviser 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 the Adviser (through a corresponding reduction in the Management Fee or otherwise), and none of the investors in the Investment Vehicles will be subject to any increased or additional fees or charges. With respect to expenses relating to the diligence and negotiation of placement agent arrangements, please see **Item 5 – Fees and Compensation**.

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 the Adviser, serves as a placement agent to the Investment Vehicles in the U.S. but is not compensated for such services. Please see **Item 10 – Other Financial Industry Activities and Affiliations** for more information.

## Item 15 – Custody

Rule 206(4)-2, as amended (the “Custody Rule”), of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), defines custody as holding client securities or funds or having any authority to obtain possession of them. The Investment Vehicles generally have an affiliate of the Adviser acting as general partner and, as such, the Adviser is deemed to have custody of the Investment Vehicles’ funds. The Adviser generally complies with the Advisers Act custody rule by, among other things, providing all investors in an Investment Vehicle with audited financial statements.

## **Item 16 – Investment Discretion**

The Adviser maintains the authority to manage or advise the Investment Vehicles on a discretionary basis, subject to the overall supervision of the applicable General Partner (or board of directors (as applicable)), in accordance with the investment guidelines, objectives, limitations and other provisions and terms set forth in the Organizational Documents 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 Adviser will generally be deemed to have authority to vote proxies relating to the companies in which its clients invest, the Adviser has adopted a set of policies and procedures (together, the “Policy”) in compliance with the Proxy Rule. To the extent that the Adviser exercises or is deemed to be exercising voting authority over its 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 its clients, as determined by the Adviser in its sole discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, the Adviser may not always vote proxies in accordance with the Policy. In addition, many possible proxy matters are not covered in the Policy. Generally, the Adviser 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 Adviser or its affiliates, on the other hand. If a material conflict is identified by the Chief Compliance Officer, Head of Asset Management and/or Chief Operating Officer, the Real Estate Group will determine whether voting in accordance with the Adviser’s proxy voting guidelines is in the best interests of its clients. The Adviser, in its sole discretion, may elect not to vote a proxy if unduly burdensome.

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



## **Item 18 – Financial Information**

The Adviser has not 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 the Adviser is not registered in any state.