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**Apollo Capital Management, L.P.**

**FORM ADV PART 2A**

**March 30, 2020**

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Business Address

9 West 57<sup>th</sup> Street, 43rd Floor  
New York, New York 10019  
Website: [www.apollo.com](http://www.apollo.com)

Contact Information

Jessica L. Lomm  
Chief Compliance Officer  
Phone: (212) 822-0516  
Fax: (646) 607-0298  
9 West 57th Street, 34th Floor  
New York, New York 10019  
[jlomm@apollo.com](mailto:jlomm@apollo.com)

**This brochure (“Brochure”) provides information about the qualifications and business practices of Apollo Capital Management, L.P. (“Apollo Capital Management”). If you have any questions about the contents of this Brochure, please contact us at (212) 515-3200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Apollo Capital Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Apollo Capital Management is registered as an investment adviser with the SEC. Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

## **ITEM 2**

### **Material Changes**

Apollo Capital Management routinely makes changes throughout its Brochure to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices.

Set out below are those changes that Apollo Capital Management believes reflect material changes since its last annual update of this Brochure filed on March 30, 2019.

On February 28, 2020 (the "Closing Date"), Apollo Global Management, Inc., a Delaware corporation ("AGM" and, together with its consolidated subsidiaries, "Apollo"), and Athene Holding Ltd., a Bermuda exempted company ("Athene Holding"), closed a strategic transaction initially announced in October 2019. Pursuant to the strategic transaction, among other things:

1. Athene Holding issued Class A common shares of Athene Holding ("Athene Holding Class A Common Shares") to certain subsidiaries of the Apollo Operating Group (as defined below) in exchange for (i) issuance by the Apollo Operating Group of non-voting equity interests of the Apollo Operating Group to Athene Holding and (ii) \$350 million in cash;
2. Athene Holding granted AGM the right to purchase additional Athene Holding Class A Common Shares from the closing date until 180 days thereafter to the extent the issued and outstanding Athene Holding Class A Common Shares beneficially owned by Apollo and certain of its related parties and employees (collectively, the "Apollo Parties") (inclusive of Athene Holding Class A Common Shares over which any such persons have a valid proxy) do not equal at least 35% of the issued and outstanding Athene Holding Class A Common Shares, on a fully diluted basis; and
3. a representative of the Apollo Operating Group will have the right to purchase up to that number of Athene Holding Class A Common Shares that would increase by up to 5% the percentage of the issued and outstanding Athene Holding Class A Common Shares beneficially owned by the Apollo Parties (inclusive of Athene Holding Class A Common Shares over which any such persons have a valid proxy), calculated on a fully diluted basis.

Athene Holding also amended its by-laws to, among other items, eliminate Athene Holding's current multi-class share structure.

As a result of the transaction, Athene Holding acquired an approximate 7% equity stake in the Apollo Operating Group and Apollo's beneficial ownership in Athene Holding, together with certain of its related parties and employees, increased to approximately 34% as of the Closing Date.

The "Apollo Operating Group" refers to (i) the limited partnerships and limited liability companies through which Apollo currently operates its businesses and (ii) one or more limited partnerships or limited liability companies formed for the purpose of, among other activities, holding certain of Apollo's gains or losses on its principal investments in the funds it manages.

**ITEM 3**  
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## ITEM 4

### Advisory Business

#### **Apollo Global Management, Inc.**

Apollo is a global alternative investment manager that is publicly listed on the New York Stock Exchange under the symbol “APO.” AGM, the ultimate parent of Apollo Capital Management, converted from a Delaware limited liability company named Apollo Global Management, LLC to a Delaware corporation named Apollo Global Management, Inc. effective September 5, 2019. Founded in 1990, Apollo is led by its managing partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 33 years. Apollo’s business is to raise, invest and manage credit, private equity and real asset funds, as well as strategic investment accounts, on behalf of pension, endowment and sovereign wealth funds and other institutional and individual investors. Apollo has three business segments: (1) *Credit*, which primarily invests in non-control corporate and structured debt instruments including performing, stressed and distressed investments across the capital structure; (2) *Private Equity*, which primarily invests in control equity and related debt instruments, convertible securities, other capital solutions, structured equity and non-control stressed and distressed investments; and (3) *Real Assets*, which primarily invests in (i) real estate and infrastructure equity for the acquisition and recapitalization of real estate and infrastructure assets, portfolios, platforms and operating companies, (ii) real estate and infrastructure debt, including first mortgage and mezzanine loans, preferred equity and commercial mortgage-backed securities, and (iii) European commercial and residential real estate, performing loans, non-performing loans and unsecured consumer loans.

#### **Apollo Capital Management, L.P.**

Apollo Capital Management is a subsidiary of AGM and registered as an investment adviser with the SEC. Apollo Capital Management, together with its relying advisers, manages Apollo’s credit business segment and provides investment management, advisory and administrative services through wholly-owned and controlled management entities (collectively, with Apollo Capital Management, the “Apollo Credit Managers”) to its advisory clients. Apollo Credit Managers’ advisory clients are comprised of funds, including single investor funds (“SIFs”), parallel funds, feeder funds, alternative investment vehicles and separately managed accounts (collectively, the “Apollo Credit Funds”). The Apollo Credit Managers also serve as (i) collateral managers to Apollo Credit Funds structured as collateralized loan obligation (“CLO”) funds and (ii) investment managers to co-investment vehicles structured to facilitate investments by affiliated and third-party co-investors (each, a “Co-Investor”) alongside Apollo Credit Funds (“Co-Investment Vehicles”). Apollo Credit Funds, together with the Co-Investment Vehicles managed by the Apollo Credit Managers, are collectively referred to as “Clients.”

As described in Item 10 below, the Apollo Credit Managers are affiliated with the managers of Apollo’s private equity and real assets businesses (collectively, the “Apollo Managers”). The Apollo Credit Funds together with funds, SIFs and separately managed accounts managed by the Apollo Managers are collectively referred to as “Apollo Funds.”

## **Investment Advisory Relationship**

The advisory relationship between each Client and the relevant Apollo Credit Manager is governed by their respective investment management agreements (each, a “Management Agreement”). When Management Agreements are negotiated among related parties their terms, including the fees payable to the Apollo Credit Managers, could not be as favorable to the Clients as if they had been negotiated with an unaffiliated third party. This conflict of interest is mitigated, at least in part, by the fact that certain investors in Clients negotiate terms (including management fees payable to the Apollo Credit Managers and carried interest payable to applicable general partners) through the negotiation of the Governing Documents (as defined below) with investors in Clients.

The Apollo Credit Managers will provide investment management services to additional (including competing) pooled investment vehicles that are offered to investors on a private placement basis. In connection with providing these services, the Apollo Credit Managers are usually appointed as investment advisers with discretionary investment authorization. Investors are also solicited to invest in one or more Apollo Funds.

Except in limited circumstances, the Apollo Credit Managers have full discretionary authority with respect to the investment decisions of their Clients; however, their advice is provided in accordance with and subject to the investment objectives and guidelines set forth in each Client’s governing documents, which could include, but is not limited to, the applicable private placement memorandum (or equivalent disclosure document), partnership agreement, limited liability company agreement or similar organizational document, Management Agreement, side letter or fee agreement (collectively, “Governing Documents”).

A Client’s investments could be subject to certain diversification and geographic limitations set forth in the applicable Client’s Governing Documents. In connection with certain investments, the Apollo Credit Managers employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. The Apollo Credit Managers also enter into side letters with investors in Clients that impose further restrictions on investing in certain types of securities, countries, geographies or businesses with respect to such investors in order to meet certain legal, tax, regulatory, internal policy or other requirements or requests of such investors. While such restrictions are intended to apply to such investors only, they could ultimately restrict the operations of the applicable Client or other investors as a whole, including by causing the Client to not make a particular investment or whereby such other investors are required to make incremental investments in a given investment due to the non-participation in such investment by such investors that are subject to such requirements.

The Apollo Credit Managers do not invest their own capital in any Client. However, Apollo’s principals, officers and employees and certain Apollo affiliates have direct and indirect investments in certain Clients through employee Co-Investment Vehicles, direct investments, deferred compensation agreements, performance allocation and carried interest.

**Single Investor Funds and Separately Managed Accounts** – The Apollo Credit Managers have entered, and will continue to enter, into partnerships directly or indirectly with investors through SIFs and separately managed accounts. This could include strategic partnerships in the form of SIFs or separately managed accounts that contribute, allocate or co-invest in significant capital to

a number of Apollo products, investment ideas and asset classes. SIFs and separately managed accounts are established to facilitate investments by third-party institutional investors in securities, assets and/or directly in Apollo Funds and Co-Investment Vehicles that fall within Apollo's credit business segment and potentially other business segments. SIFs and separately managed accounts provide such investors with greater levels of transparency, liquidity and control over their investments. When Apollo Credit Managers enter into these arrangements, an Apollo Credit Manager could grant certain preferential terms to such investors, including, by way of example, a waiver or reduction of management fees and/or blended management fees and carried interest rates that are lower than those applicable to the other Clients in which such SIFs or separately managed accounts invest.

The preferential terms provided to investors in certain SIFs and separately managed accounts are not subject to "most favored nation" provisions in the applicable Governing Documents with investors in Clients. For example, when an investor in a SIF or managed account invests in a Client on the same general terms as other investors in that Client, but receives a lower blended management fee or carried interest rate in the SIF or managed account payable to Apollo as a whole, the lower blended fees (and any other preferential terms received by the investor in the SIF) will not trigger the Client's "most favored nation" provisions. In addition, an investor in a SIF or managed account could have representatives on certain Client advisory boards. Potential conflicts of interest involving members of a Client's advisory board are discussed in Item 10.

### **Affiliated Investors and Clients**

Certain investors are themselves Clients that invest in Apollo Funds and, as such, the general partner of such an Apollo Fund will be incentivized to grant certain consent or preferential treatment to, or waive certain obligations of, such a Client, which will create conflicts of interest. In addition, Apollo has entered into, and will again in the future enter into, arrangements with Clients with the effect that such Clients pay, or otherwise bear, higher, lower or no carried interest or Management Fees at the level of such Client or with respect to its interest in such Apollo Fund, which arrangement could be affected by a waiver, discount, rebate or otherwise by way of another agreement, by way of the applicable Governing Documents of such Client, such Apollo Fund or otherwise. The preferential terms provided to such Client as contemplated by this paragraph are not subject to "most favored nation" provisions under the applicable Apollo Fund's Governing Documents or side letters with investors in such Apollo Fund.

### **Certain Apollo Credit Managers Providing Advisory Services to Clients**

**Apollo Insurance Solutions Group LP**– Apollo Insurance Solutions Group LP ("ISG") is an indirect subsidiary of Apollo Capital Management and AGM. ISG is registered with the SEC as an investment adviser relying on Apollo Capital Management's investment adviser registration. ISG acts as investment adviser, or in certain cases, as a subadviser, principally to insurance companies, reinsurance companies and insurance related clients, and in particular: (i) Athene Holding and its wholly-owned insurance and reinsurance subsidiaries (each such reinsurance subsidiary an "Athene Reinsurer," and the Athene Reinsurers together with Athene Holding, and its wholly-owned subsidiaries, the "Athene Group"); (ii) third-party insurance companies with respect to Athene Cedent Reinsurance Accounts (as defined below) which hold assets backing

liabilities reinsured or retroceded to the Athene Group by such insurance companies and that have not been further retroceded by the Athene Group to any third party or to an ACRA Reinsurer (as defined below) (each such third party insurance company with respect to its Athene Cedent Reinsurance Accounts, is referred to herein as an “Athene Cedent,” and all Athene Cedents together with the Athene Group are referred to herein, collectively, as the “Athene Related Account Group”); (iii) Athene Co-Invest Reinsurance Affiliate 1A Ltd. (“ACRA”) and its wholly-owned insurance and reinsurance subsidiaries (ACRA and each such reinsurance subsidiary an “ACRA Reinsurer,” and, the ACRA Reinsurers together with ACRA’s wholly-owned insurance subsidiaries, the “ACRA Group”); and (iv) third-party insurance companies and Athene Reinsurers with respect to ACRA Cedent Reinsurance Accounts (as defined below) which hold assets backing liabilities reinsured or retroceded to the ACRA Group by such insurance companies or Athene Reinsurers and which have not been further retroceded by the ACRA Group to any third party or to an Athene Reinsurer (such third party insurance company or Athene Reinsurer with respect to its ACRA Cedent Reinsurance Accounts is referred to herein as an “ACRA Cedent,” and all ACRA Cedents together with the ACRA Group are referred to herein, collectively, as the “ACRA Related Account Group”).

As used herein, “Related Account Group” refers to the Athene Related Account Group, the ACRA Related Account Group or both, as the context may require, “Related Account Group Portfolio” refers to all asset portfolios of the Athene Related Account Group or the ACRA Related Account Group, or both, as the context may require, as an aggregate, including, without limitation and for the avoidance of doubt, Reinsurance Asset Portfolios (as defined in Item 10 below) in Cedent Reinsurance Accounts within such Related Account Group, and, “Cedents” refers to the Athene Cedents, the ACRA Cedents, or both, as the context may require. A Cedent account (or, if applicable, a subaccount of such account) managed by ISG (pursuant to an investment management agreement with such Cedent) and the assets of which back liabilities ultimately reinsured or retroceded to an Athene Reinsurer (and such liabilities are not further retroceded by such Athene Reinsurer to a third party or an ACRA Reinsurer), is referred to herein as an “Athene Cedent Reinsurance Account” and a Cedent account (or, if applicable, a subaccount of such account) managed by ISG (pursuant to an investment management agreement with such Cedent) and the assets of which back liabilities ultimately reinsured or retroceded to an ACRA Reinsurer (and such liabilities are not further retroceded by such ACRA Reinsurer to a third party or an Athene Reinsurer), is referred to herein as an “ACRA Cedent Reinsurance Account.” As used herein, “Cedent Reinsurance Accounts” refers to Athene Cedent Reinsurance Accounts, the ACRA Cedent Reinsurance Accounts or both, as the context may require. Athene Reinsurers and ACRA Reinsurers are referred to herein equally as a “Reinsurer,” as the context may require. ISG also acts as an investment adviser to separately managed accounts of third-party insurance companies (“Third-Party Clients”), and as sub-adviser to certain Apollo Funds (such Third-Party Clients, together with the ACRA Related Account Group and the Athene Related Account Group, collectively, “ISG Clients”). ISG also creates, on behalf of one or more of its clients, investment vehicles to facilitate certain investments. ISG’s Chief Executive Officer has an ownership stake in ISG. ISG, either directly or through the use of sub-advisers (including affiliate and third-party sub-advisers), manages primarily fixed income and alternative investments and invests in the strategies listed below. See Item 10 for additional information regarding ISG.

**Apollo Co-Investment Capital Management, LLC** – Apollo Co-Investment Capital Management, LLC is a wholly owned subsidiary of Apollo Capital Management that serves as the investment manager for various Co-Investment Vehicles formed to make investments by Co-Investors alongside Apollo Credit Funds. Please see Item 6 for additional information regarding co-investments.

## **Credit Investment Strategies**

Apollo Capital Management's broad credit business is organized into six core investment strategies: (1) corporate fixed income; (2) corporate credit; (3) direct origination; (4) corporate structured and asset-backed securities; (5) consumer and residential credit; and (6) financial credit investments. A description of each investment strategy is set forth below.

**1. Corporate Fixed Income** – The corporate fixed income group advises Clients that primarily focus on investment grade corporate bonds, emerging markets and investment grade private placement investments.

**2. Corporate Credit** – The corporate credit group advises Clients that focus on corporate credit investment strategies, including primary and secondary opportunities in performing, stressed and distressed public and private securities, including senior secured loans, high-yield, mezzanine, debtor in possession financings, rescue or bridge financings and other debt investments.

**3. Direct Origination** – The direct origination group advises Clients that primarily invest in loans, including, but not limited to, senior secured and unsecured loans, first- and second-lien term loans, mezzanine loans, private high-yield debt, asset-backed loans, leveraged loans, real estate loans, rediscount loans, venture loans and bridge loans, particularly in the context of transactions that require certainty of financing. This strategy focuses on originating private debt both directly with sponsors and directly with borrowers in the United States (“U.S.”), United Kingdom (“UK”) and continental Europe.

**4. Corporate Structured and Asset-Backed Securities** – The corporate structured and asset-backed securities group advises Clients that primarily focus on structured credit investment strategies that seek to obtain favorable and protective lending terms, predictable payment schedules, well diversified portfolios and low historical defaults. These strategies include investments in CLOs, asset-backed securities and other structured instruments.

**5. Consumer and Residential** – The consumer and residential group advises Clients that primarily focus on consumer and residential real estate credit investment strategies. These strategies include investments in residential mortgage-backed securities, whole residential real estate loans, consumer loans and other consumer asset-backed securities.

**6. Financial Credit Investments** – The financial credit investments group advises Clients that primarily focus on life insurance policies issued by insurance companies that insure the lives of natural persons, as well as life insurance-linked securities, including bonds, loans, notes, certificates, preferred securities or other instruments, whether senior, preferred or subordinated that are (a) issued by insurance companies or their respective financial holding companies, (b) wrapped or guaranteed by insurance companies and/or (c) linked to, or referenced by, life



insurance policies or insurance company reserve or capital funding, embedded value and/or value in force transactions, life insurance life annuity combinations, extreme mortality or morbidity, deferred acquisition costs, insurance commission financing, structured settlements, annuities or similar collateral.

***The information provided above about the investment advisory services provided by the Apollo Credit Managers is qualified in its entirety by reference to the relevant Client's applicable Governing Documents.***

As of December 31, 2019, Apollo Capital Management managed \$216,341,079,430 on a discretionary basis and \$2,242,628,942 on a non-discretionary basis.

## **ITEM 5**

### **Fees and Compensation**

#### **Management Fees**

The Apollo Credit Managers and their affiliates are entitled to receive management fees ("Management Fees"); not all of the investors in such Clients bear the burden of paying Management Fees. For example, affiliates of the Apollo Credit Managers do not pay Management Fees to the Apollo Credit Managers. The specific payment terms and other conditions of the Management Fees available to the Apollo Credit Managers are set forth in the applicable Governing Documents. Such fees are payable to the Apollo Credit Managers monthly, quarterly or annually in arrears as set forth in the applicable Governing Documents. However, there could be instances where Management Fees are paid monthly or quarterly in advance; in such cases, Clients could be entitled to a refund of Management Fees that are paid in advance, depending on the facts and circumstances.

Management Fees paid to Apollo Credit Managers for services provided to the Apollo Credit Funds are based on capital contributions, invested capital (including borrowed amounts) net asset values or other similar metrics as opposed to capital commitments. As the Apollo Credit Managers do not receive Management Fees from Apollo Credit Funds until capital is drawn, there is an incentive for the Apollo Credit Managers to call capital or to invest such Apollo Credit Funds' capital earlier than they would have if Management Fees were based on capital commitments.

Investors negotiate terms (including fees and expenses payable to the Apollo Credit Managers) through Governing Documents. Similarly, Management Fees charged to separately managed accounts and SIFs are individually negotiated with the investor participating in the managed account or SIF and are set forth in such SIFs' or accounts' applicable Governing Documents.

Management Fees are paid to the Apollo Credit Managers by directly billing or deducting such fees from the applicable account.

See Item 10 for additional disclosure regarding Management Fees paid by ISG Clients.

## **Performance-Based Compensation**

Certain Apollo Credit Managers or the affiliated general partners receive performance-based compensation (e.g., carried interest and incentive fees). The specific payment terms and other conditions of the performance-based compensation available to the Apollo Credit Managers or affiliated general partners are also set forth in the Governing Documents.

Performance-based compensation payable to the Apollo Credit Managers or affiliated general partners is payable quarterly, annually or more frequently in arrears on a deal-by-deal basis or as described in the applicable Governing Documents. In the case of an Apollo Credit Fund structured as a hedge fund, performance-based compensation is payable annually to the applicable general partner in arrears.

The general partners or similar persons of each Apollo Credit Fund structured as a hedge fund receive performance-based, partnership incentive allocations, as opposed to carried interest distributions. These partnership allocations are calculated on an annual basis and take into account both net realized and unrealized capital appreciation of the net asset value of the applicable Apollo Credit Fund, subject to certain net loss carry-forward (known as a “high water mark”) and/or other hurdle provisions (such as a preferred return). Once these are realized, such allocations are not subject to a clawback.

The applicable general partner and/or the applicable Apollo Credit Manager have the unilateral discretion to waive or reduce the application of certain provisions of the Governing Documents for an Apollo Credit Fund with respect to an investor (including those related to fees, performance-based compensation, allocations, transparency and withdrawals) without obtaining the consent of any other investor. The applicable general partner and Apollo Credit Manager waive all Management Fees and performance-based compensation for investment vehicles that facilitate investment by principals and employees of the Apollo Credit Managers or other Apollo employees. In the case of family members and friends of such principals and employees, the applicable general partner and Apollo Credit Manager waive Management Fees.

Certain collateral management and incentive fees in connection with CLOs and collateralized debt obligations (“CDOs”) are payable only to the extent that funds are available and in accordance with the priority of payments described in the CLOs’ and CDOs’ indentures. Apollo Credit Managers or affiliates could also charge CLOs and CDOs fees for liquidation services and structuring services. For liquidation services, fees are based on a percentage of the proceeds of the liquidation or a fixed fee. Please see Item 6 for additional information on compensation associated with co-investments.

## **Expenses Charged to Clients**

*Organizational Expenses.* Subject to its Governing Documents, each Client pays, or otherwise bears, all fees, costs, expenses and other liabilities incurred in connection with the formation, organization, marketing and sale of interests in such Client, its general partner or similar person and/or investment manager or investment vehicle in which such Client could invest (such as a feeder fund that invests in such Client), including costs and all out-of-pocket legal, accounting, consulting, advisory, filing, capital raising, printing, electronic database and travel-related

expenses and other expenses for accommodations, meals, events, entertainment and other similar fees, costs and expenses (collectively, the “Organizational Expenses”). Clients do not pay fees to Apollo’s affiliated broker-dealer, Apollo Global Securities, LLC (“AGS”) (AGS is described in additional detail in Item 10 below), for raising capital in connection with the formation or organization of such Clients; however, AGS is entitled to an expense reimbursement and could charge fees, for example, to Clients in connection with co-investment opportunities, or to feeder funds that are managed by persons unaffiliated with the Apollo Credit Manager in order for such unaffiliated feeder fund to be provided the opportunity to invest in the applicable Client. In addition, the general partner of a Client from time to time enters into arrangements with, and compensates, unaffiliated third parties engaged to place interests in Clients. In such circumstance, the general partner of a Client causes the applicable Client to pay the placement agent a placement fee and reimburse the placement agent for expenses incurred by it in connection with such arrangement. In these cases, and where required by the applicable Governing Documents, the applicable Apollo Credit Manager reduces its Management Fee on a dollar-for-dollar basis to the extent any such placement agent fees and related costs and expenses are borne by the Client.

Governing Documents for certain Clients generally include a limit on the amount of Organizational Expenses that are borne by the Client. In addition, Organizational Expenses associated with a Co-Investment Vehicle organized in connection with a particular portfolio investment are generally borne by such portfolio investment, and therefore, indirectly by investors in such portfolio investment, including the applicable Client and such Co-Investment Vehicle.

*Operating Expenses.* Subject to its Governing Documents, each Client pays or otherwise bears all of the direct and indirect fees, costs, expenses, liabilities and obligations resulting from or arising in connection with its operations and investments (collectively, the “Operating Expenses”). In certain circumstances and subject to the applicable Governing Documents, Operating Expenses will be paid by the portfolio investments of a Client; however, even if a portfolio investment agrees to bear such Operating Expenses, it is possible that ultimately the Client will bear the expenses directly.

The Organizational Expenses and Operating Expenses of a particular Client are set forth in its Governing Documents with investors in Clients and could include, without limitation, the following fees, costs and expenses related to or arising from:

- (i) the discovery, evaluation, investigation, development, research, acquisition or consummation, ownership, maintenance, monitoring, financing, hedging or disposition of portfolio investments, which includes, without limitation:
  - brokerage commissions;
  - clearing and settlement charges;
  - private placement fees;
  - syndication fees;
  - solicitation fees;
  - arranger fees;
  - sales commissions;
  - pricing and valuation fees, including appraisal fees;
  - research fees;

- underwriting commissions and discounts;
  - interest and investment fees;
  - transaction fees;
  - break-up fees;
  - investment banking fees;
  - advisory fees;
  - bank charges;
  - other investment costs and expenses related to closing, execution and transaction costs;
  - custodial, trustee, transfer agent, recordkeeping and other administrative fees, costs and expenses;
  - origination fees;
  - sourcing fees;
  - commitment fees;
  - servicing and asset/property management fees;
  - rating agency fees; and
  - collateral management fees, facility fees, float fees or similar fees;
- (ii) services rendered to or in connection with financing provided to issuers of securities (such as arranger, brokerage, placement, syndication, solicitation or underwriting, agency, origination, sourcing, structuring, collateral management, special purpose vehicle, subsidiary management and/or administration, advisory or other fees, discounts, spreads, commissions and concessions) paid (1) to (x) service providers affiliated with Apollo, certain Clients and/or their portfolio investments who provide services to Clients or their portfolio investments or investments (each, an “Affiliated Service Provider”) or (y) another person with respect to services rendered by such Affiliated Service Provider, or (2) by any portfolio investment or issuer of any securities that constitute a portfolio investment in respect of which a Client does not have control;
- (iii) any investments and/or securities (including management fees, operating expenses, incentive allocation and/or carried interest) earned by any person or otherwise borne with respect to such investments and/or securities managed by the general partner or manager of such Client, or any of their respective affiliates (including an investment in another Client;
- (iv) any credit facility, subscription line facility, guarantee, line of credit, loan commitment, letter of credit or similar credit support or one or more other similar financing transactions involving such Client and/or any investment, including any payment of principal or interest arising out of such borrowings and indebtedness;
- (v) the evaluation of potential portfolio investments (irrespective of whether any such investment is ultimately consummated), including diligence, broken-deal expenses and reverse break-up fees;

- (vi) attending conferences or other meetings or events in connection with the evaluation of potential portfolio investments or business sector opportunities, irrespective of whether any such investment is ultimately consummated;
- (vii) risk management assessments and analyses of such Client's assets;
- (viii) any other expenses of investments that are not consummated, which includes certain advisory, transaction, closing, consulting and other similar fees paid to the manager of such Client or such manager's affiliates and other persons;
- (ix) any travel-related expenses related to or arising from the discovery, evaluation, investigation, development, research, acquisition, consummation, ownership, maintenance, monitoring, financing, hedging or disposition of investments, including potential investments;
- (x) taxes and other governmental charges incurred or payable by such Client;
- (xi) the services of actuaries, accountants, advisors, auditors, administrators (whether or not third-party), brokers (including prime brokers), counsel, custodians, depositories, valuation experts and other service providers that provide services to such Client and legal expenses incurred in connection with claims or disputes, investigations and proceedings related to actual, unconsummated or proposed investments;
- (xii) the engagement of professionals (including Apollo Investment Consulting, LLC and Apollo Investment Consulting Europe Ltd. (collectively, "Apollo Consulting") (Apollo Consulting is described in additional detail in Item 10 below) and any industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity) who provide services to or in respect of such Client or its portfolio investments (including allocable overhead of Apollo Consulting, which includes compensation of its personnel);
- (xiii) maintaining entities comprising Apollo Consulting, including those incurred in connection with organization, operation, maintenance, restructuring and dissolution of such vehicles;
- (xiv) the provision of certain research and other information that could be deemed to be bundled for the benefit of such Client, information service subscriptions and other information that could be deemed to be bundled for the benefit of such Client, as well as expenses incurred to operate and maintain market information systems and information technology systems used to obtain such research and other information. Pursuant to the Markets in Financial Instruments Directive II ("MiFID II"), research provided by broker-dealers is generally required to be charged separately from other execution services. Apollo Management International LLP ("AMI"), and other affiliates that are subject to MiFID II, could no longer accept the provision of research for free or as part of bundled services. AMI has decided to bear the expense of research from its own account. However, the relevant Apollo Credit Manager could determine such research costs to be an affiliate expense, which is generally permitted

to be charged to the Client as Operating Expenses, in which case Apollo Credit Managers will be incentivized to allocate to Clients a greater portion of such costs for research services to those Clients that are able to bear such research expenses as described in the applicable Governing Documents;

- (xv) developing, implementing or maintaining computer software and technological systems for the benefit of such Client, its investors or its investments (including potential portfolio investments);
- (xvi) maintaining such Client (including any managed account of such Client) and any of its subsidiary entities, including fees, costs and expenses incurred in the organization, operation and restructuring of such subsidiary entities;
- (xvii) insurance premiums allocated to such Client (including Apollo's group insurance policy, general partners', directors' and officers' liability or other similar insurance policies, errors and omissions insurance, financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such Client), litigation, arbitration or other dispute-related expenses related to the applicable Client, any portfolio investment or any potential portfolio investment of the Client (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and indemnification obligations and other extraordinary expenses related to the applicable Client, any portfolio investment or any potential portfolio investment of the Client (including fees, costs and expenses that are classified as extraordinary expenses under U.S. Generally Accepted Accounting Principles ("GAAP"));
- (xviii) preparation of all reports to such Client, Client's investors, advisory board or equivalent (including all fees, costs and expenses incurred to audit such reports, provide access to a database or other internet forum and for any other operational, legal, secretarial or postage expenses relating thereto or arising in connection with the distribution of the same) and any other financial, tax, accounting, legal or fund administration reporting functions (including expenses associated with the preparation of financial statements, tax returns and U.S. Internal Revenue Service ("IRS") Schedules K-1 or any successors thereto and the tax matters partner's representation of such Client or its investors) and any other reporting or information that an investor in a Client requests or requires that the Apollo Credit Manager provides to them;
- (xix) any meetings of the general partner of a Client with any Client, or with any investor(s) in a Client (including any travel-related expenses and other expenses for airfare, accommodations, meals, events, entertainment and other similar fees, costs and expenses);
- (xx) any meetings of the Client, the Client's investor(s), the Client's advisory board, the Client's board of directors, committees or conflicts review agent (including any travel-related expenses and other expenses for airfare, accommodations, meals,

events, entertainment and other similar fees, costs and expenses), legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the general partner of the advisory board of the Client and other expenses incurred in connection with such action;

- (xxi) such Client's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such Client's Governing Documents and advancing fees, costs and expenses incurred by such covered persons in defense or settlement of any claim that could be subject to a right of indemnification under such Client's Governing Documents);
- (xxii) compliance with (or facilitating compliance with) any applicable law, rule or regulatory requirement specific to a Client, including by way of example, the European Union's ("EU") Alternative Investment Fund Managers Directive ("AIFMD") and European Market Infrastructure Regulation (including regulatory filings, "blue sky" filings and related out-of-pocket or other expenses of such Client, its general partner or similar person and/or investment adviser) and expenses related to, or in connection with, any governmental inquiry, investigation or proceeding involving such Client (including the amount of any judgments, settlements or fines paid in connection therewith), which includes legal fees, costs and expenses;
- (xxiii) the organization, maintenance, administration and operation of any Client that registers under AIFMD or any entity that serves as the general partner thereof or in a similar capacity (including rent, salaries and ancillary costs of such entities and costs and expenses of service providers of such entities);
- (xxiv) a default by a defaulting investor of such Client to the extent not paid by the defaulting investor;
- (xxv) a sale, assignment (including an assignment by way of security), mortgage charges, pledge or transfer of an investor's interest in such Client or an investor's withdrawal, admission or acquisition of interests as permitted under such Client's Governing Documents to the extent not paid by the applicable investor and/or the purchaser, assignee, pledgee or transferee;
- (xxvi) any amendments, modifications, revisions or restatements to the Governing Documents of such Client, or its general partner or similar person and/or investment adviser;
- (xxvii) any distributions to investors;
- (xxviii) such Client's borrowings and indebtedness (including interest and fees, costs and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the account of such Client), secured by mortgage, charge, pledge, assignment (including any assignment by way of security) or other lien on any assets of the Client or otherwise encumbering assets in connection with or in furtherance of the acquisition of all or a portion of or the financing of an investment;

- (xxix) administration and operation of such Client, including the preparation and maintenance of the books and records of such Client (including internal costs that the manager of such Client incurs to produce such Client's official books and records, external costs in cases where the manager hires a third-party administrator to maintain such Client's official books and records and any costs of the manager to oversee and manage such third-party administrator) and any special purpose vehicles, including fees and expenses incurred in the organization of special purpose vehicles, subsidiary entities of the Client or alternative investment vehicles;
- (xxx) the dissolution, winding up and termination of such Client;
- (xxxi) such Client's feeder funds, subsidiary entities and alternative investment vehicles;
- (xxxii) such Client's investors that are feeder funds or conduit vehicles formed for the purpose of investing in the Client and not affiliates of the Apollo Credit Managers;
- (xxxiii) negotiating side letters or other agreements (including potential side letters or other agreements) with prospective and existing investors and entering into and compliance with side letters or other agreements with particular investors in Clients and "most favored nation" election processes;
- (xxxiv) margin calls, margin-related activities, put and call rights and similar obligations relating to derivative transactions entered into by such Client, its subsidiary entities or special purpose vehicles and other liabilities and obligations of any of the foregoing;
- (xxxv) any fees, costs or expenses related to co-investments (irrespective of whether such co-investments are ultimately consummated), such as broken-deal expenses and reverse break-up or termination fees, including those that are not borne by actual or prospective Co-Investors;
- (xxxvi) organizing, maintaining, administering, operating and negotiating joint ventures or arrangements and Platform Investments (as defined in Item 8); and
- (xxxvii) such Client's allocable portion of any overhead of the Apollo Credit Manager incurred in connection with the services performed by personnel or employees of the Apollo Credit Manager that constitute services for or in respect of which Operating or Organization Expenses could be borne by such Client, including any applicable fees, costs and expenses contemplated by the foregoing.

All references to "travel-related expenses" in the foregoing categories of Organizational Expenses and Operating Expenses include all travel expenses for the use of private aircraft, first class or business class travel, accommodations, meals, events and entertainment. In certain instances, the Governing Documents limit the amount of such expenses for which a Client is responsible.

Apollo Credit Managers and their affiliates are entitled to reimbursement from such Client or its portfolio investment for any Organizational Expenses or Operating Expenses paid and/or incurred by them on behalf of such Client. Apollo Credit Managers have discretion to seek reimbursement



for Organizational Expenses and Operating Expenses and could choose not to seek reimbursement or to seek less than full reimbursement from certain Clients. If any service provider provides services to a Client on the property of an Apollo Credit Manager, such Client could also be responsible for any overhead, rent or other fees, costs and expenses charged by an Apollo Credit Manager in connection with the on-site arrangement.

The Apollo Credit Managers from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to the Apollo Credit Managers and their affiliates. For example, certain law firms retained by Apollo Capital Management discount their legal fees for certain legal services, such as legal advice in connection with firm operational, compliance and related matters. To the extent such law firms also provide legal services to Clients, such Clients will also receive the benefit of such fee discount arrangements. Legal services rendered for investment transactions, however, are typically charged to the Apollo Credit Managers and their Clients without a discount or at a premium. Legal fees for unconsummated transactions are generally charged at a discount.

*Allocation of Expenses.* The Apollo Credit Managers and their affiliates from time to time incur fees, costs and expenses on behalf of one or more Clients. To the extent such fees, costs and expenses are incurred for the account of more than one Client, each Client bears a portion of any such fees, costs and expenses (subject to the terms of each Client's applicable Governing Documents) or in such manner as the Apollo Credit Manager in good faith determines is fair and reasonable. For example, approximately 90% of the premiums with respect to Apollo's group professional liability insurance policy are currently allocated among all Clients covered under such policy, while the remaining 10% of the premiums are borne by Apollo. Apollo's expense allocation committee monitors the allocation of certain expenses among Apollo and Clients or among multiple Clients as set forth in the applicable Client's Governing Documents and is responsible for the review and approval of the policies and procedures, including related methodologies, for allocation of such expenses.

*Overhead Allocation.* Apollo has in-house accounting, legal, compliance, tax, administrative, operational, finance and other types of personnel or employees that provide support to Clients and their respective potential and existing portfolio investments on an ongoing basis. These employees assist with, among other things, the legal, compliance, tax, administrative, operational, finance and other functions of the Apollo Credit Managers and their affiliates and Clients and their respective acquisition of, holding, financing and disposition of investments, including, without limitation, mergers and acquisitions, regulatory, tax and legal support, risk management and litigation management. The performance of such functions by Apollo employees could be in addition to or as an alternative to the outsourcing of any such services to other service providers at market rates, including entities and persons regularly used by Apollo and its affiliates. All fees, costs and expenses incurred by Apollo (including allocable compensation of such personnel or employees and related overhead otherwise payable by Apollo) in connection with services performed by personnel or employees of the Apollo Credit Managers or their affiliates could constitute services for or in respect of a Client or its existing and potential portfolio investments, will be allocable to and borne by such Client. Such allocations to Clients can be based on any of the following methodologies, among others: (i) requiring personnel to periodically record or allocate their historical time spent with respect to a Client or its general partner approximating the proportion of certain personnel's time spent with respect to such Client and, in each case, allocating their

compensation and allocable overhead based on time spent or charging their time spent at market rates, (ii) the assessment of an overall dollar amount (based on a fixed fee or percentage of assets under management) that the general partner believes represents a fair recoupment of expenses and a market rate for such services or (iii) any other methodology determined by the general partner to be appropriate under the circumstances. However, any methodology (including the choice thereof) involves inherent conflicts and could result in incurrence of greater expenses by a Client and its subsidiaries and potential and existing portfolio investments than would be the case if such services were provided by third parties.

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

Certain Apollo Credit Managers or their affiliates receive management consulting fees, break-up fees, directors' fees, closing fees and merger and acquisition transaction advisory fees related to the negotiation of the acquisition of a portfolio investment and similar fees (including interest, commitments or other fees received in connection with a bridge financing), whether in cash or in-kind, including options, warrants and other non-cash consideration, in connection with certain Clients' actual or contemplated investments (collectively, "Special Fees").

Pursuant to applicable Governing Documents, Special Fees can be allocated to Clients. When Special Fees are allocated, they are typically allocated pro-rata among Clients participating in the portfolio investment giving rise to such Special Fees based on their respective proposed commitments to or shares of the capital provided for such portfolio investment (or, if such portfolio investment is not made, that was expected to be provided) or on such other basis that the applicable general partner determines to be fair and reasonable. Once the Client has been allocated its pro-rata portion of such Special Fees, such fees are further allocated pro-rata among all of the investors in such Client based on their respective proposed commitments to or shares of the capital provided for such portfolio investment and the amount so allocated to the management fee-bearing investors is applied to reduce the amount of Management Fees payable to the extent provided in the Clients' Governing Documents with investors in Clients. In determining the basis for which Special Fees should be allocated, the applicable general partner could take into account, among other things, the type of transaction (e.g., original acquisition or add-on acquisition) and the consideration involved in the transaction (e.g., cash consideration or in-kind consideration) and the value ascribed to such consideration.

If the amount of Special Fees to be applied to reduce the Management Fees paid by such management fee-bearing Clients during the applicable period exceed the Management Fee payable during such period, the excess is typically credited against the Management Fee payable during the next applicable period and each succeeding period thereafter until the entire amount of the excess has been credited. To the extent such excess is greater than the amount of Management Fees due for all future periods, such excess will be for the benefit of the Apollo Credit Manager (or its affiliates) or credited to investors unless otherwise stated in the Clients' applicable Governing Documents with investors in Clients.

Unlike certain other Special Fees (such as fees for merger and acquisition transaction advisory services), management consulting fees typically consist of recurring fees paid to an Apollo Credit Manager for providing consulting services to portfolio investments. Depending on the Governing Documents of a Client or investor side letters, management consulting fees generated in

connection with a given investment could be applied up to 100% to reduce the Management Fees payable by the Client(s) that participated in that investment (except to the extent that there is a Co-Investment Vehicle participating in such investment, as described above). Subject to the terms of the relevant management consulting agreement between the Apollo Credit Manager and the portfolio investment, in the event of an initial public offering, change of control or other disposition of such portfolio investment (in each case, with such terms being defined in the relevant management consulting agreement), management consulting fees generally cease to be paid, however, such fees can continue to be paid so long as the applicable Client continues to hold an other than *de minimis* position in such portfolio investment and the Apollo Credit Managers continue to provide the consulting services. However, where the applicable Client holds a *de minimis* position or has divested itself completely from the position and the Apollo Credit Manager or its affiliate no longer provides consulting services to the portfolio investment, the Apollo Credit Managers will not receive early termination fees or accelerated management consulting fees without the approval of the Client's advisory board. In the absence of an advisory board, the investors (or a subset of the investors, such as a majority-in-interest of such investors) or duly appointed representatives of the applicable Client will provide such approval.

Certain Clients' Governing Documents do not contemplate the allocation of Special Fees as described above. However, Apollo Credit Managers could elect to give such Clients the benefit of an offset with respect to such Special Fees up to their pro-rata portion.

When Special Fees are not required to be allocated to Clients, they are retained by the applicable Apollo Credit Manager.

The following fees and expenses paid to the Apollo Credit Managers, or one or more of their respective affiliates, generally do not constitute Special Fees, and therefore, are not applied to offset Management Fees:

- (i) Organizational Expenses;
- (ii) Operating Expenses;
- (iii) salary, fees or other compensation of any nature paid by a portfolio investment to any individual (or to such Client's investment adviser or one of its affiliates (including Apollo Consulting) with respect to such individual) who acts as an officer of, or in an active management role at, such portfolio investment (including industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts, sourcing consultants or other persons acting in a similar capacity engaged or employed by Apollo Consulting and any fees, costs or expenses paid to or by Apollo Consulting itself, including allocable overhead and the compensation of its personnel;
- (iv) without limiting the foregoing clauses (i), (ii) and (iii), fees, costs or expenses paid to or in respect of Apollo Consulting or any industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity who provide services

to the Client or its portfolio investments (including allocable overhead of Apollo Consulting);

- (v) fees, costs and expenses, such as arranger, brokerage, placement, syndication, solicitation, underwriting, agency, origination, sourcing, structuring, collateral management, special purpose vehicle (including any special purpose vehicle of a portfolio investment), subsidiary management or administration, advisory, commitment, facility, float or other fees, discounts, spreads, commissions and concessions, but not merger and acquisition transaction fees related to the negotiation of the acquisition of a portfolio investment paid to an Affiliated Service Provider or another person with respect to services rendered by an Affiliated Service Provider;
- (vi) amounts earned by or for the account of any other Clients (directly or indirectly) through an expense offset mechanism;
- (vii) fees, costs, expenses or other amounts of compensation (including Management Fees, Operating Expenses, incentive allocation and/or carried interest) earned by any person or otherwise borne with respect to investments or securities or other financial instruments that are managed by such Client's investment manager or any of its respective affiliates (including an investment in another Client) that are acquired by the Client in the secondary market;
- (viii) fees, costs and expenses for any and all services whatsoever (including transaction advisory services fees related to the negotiation of the acquisition of a portfolio investment) paid or otherwise borne by any portfolio investment or issuer of any securities that constitute a debt investment or an investment with respect of which no Apollo affiliate exercises direct control with respect to the decision to engage the services giving rise to such fees, costs and expenses;
- (ix) fees, costs, expenses or other amounts of compensation earned by any person or otherwise borne with respect to investments or transactions that are otherwise consented to or approved by such Client's advisory board; and
- (x) fees, costs and expenses determined in good faith by the Apollo Credit Managers to be similar in nature to any of the above-mentioned ones.

## **ITEM 6**

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

The Apollo Credit Managers and their affiliates receive performance-based compensation (e.g., carried interest and incentive fees), Management Fees and other fees from Clients. Although there are certain exceptions, each affiliate of an Apollo Credit Manager serving as a general partner of a Client is entitled to receive performance-based compensation from such Client. The receipt of performance-based compensation from Clients creates an incentive for the Apollo Credit Managers to make more speculative investments on behalf of Clients than they could otherwise make in the absence of such performance-based compensation.

As discussed in Item 5, the Apollo Credit Managers charge Management Fees that could vary for each Client. Different Management Fees incentivize Apollo Credit Managers to dedicate increased resources and allocate more profitable investment opportunities or better investment ideas to Clients who are charged Management Fees (or performance-based compensation arrangements) that are more profitable for the Apollo Credit Managers. Further, the Apollo Credit Managers are incentivized to allocate investment opportunities to Clients who either pay carried interest or a higher carried interest percentage to their general partners or to Clients whose current performance does not require them to reimburse investors for losses attributable to prior unprofitable investments before distributing carried interest to their general partners.

The Apollo Credit Managers have adopted Apollo's allocation policy and procedures (as described below) to help mitigate conflicts of interest relating to the management of multiple Clients with varying types of fee arrangements. With respect to allocations made within each Related Account Group, ISG has adopted additional allocation policies, discussed further below.

### **Investment Allocations**

*Apollo Credit Managers Allocation Among Clients, Related Account Groups and Third-Party Clients and within ISG Related Account Groups.* The Apollo Credit Managers, including ISG, are committed to allocating investment opportunities among their Clients and as between ISG Related Account Groups and Third-Party Clients, in a manner that, over time, is on a fair and equitable basis and have adopted detailed policies and procedures, which are discussed below, to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that an Apollo Credit Manager, including ISG, will allocate investment opportunities to Clients, or as between Clients, ISG Related Account Groups and Third-Party Clients, in a self-interested manner. Allocations at this level will generally be on a pro-rata basis; however, because each allocation decision is based on facts and circumstances specific to each investment and individual Client, Related Account Group and Third-Party Client mandates, investment allocations have been made, and will be made in the future, on a basis other than pro-rata. When allocating investments to ISG Client Accounts (including, Cedent Reinsurance Accounts with respect to their related Reinsurance Asset Portfolios (as defined in Item 1 below)) *within* the same Related Account Group, ISG treats all ISG Client Accounts within a Related Account Group as a single portfolio. Accordingly, allocations among accounts within a Related Account Group generally are not pro-rata, and while the considerations described below may factor into final allocations as between those accounts, the specifics of any given Reinsurance Relationship may render these factors an insufficient framework to make every allocation among accounts. Allocations within the same Related Account Group are generally made with the intent of, among other things, optimizing the Related Account Group Portfolio with respect to the portfolio's parent (i.e., Athene Holding, if an allocation within the Athene Related Account Group, or ACRA, if an allocation within the ACRA Related Account Group). Additionally, cross trades and other asset transfers are offered up first to accounts within the same Related Account Group before being offered up to other ISG Clients that are not within such Related Account Group.

Apollo's allocation policies and procedures and examples of factors that will be considered in all cases when making allocation decisions are discussed below. It is important to note that the factors discussed below that could influence a specific allocation are not exhaustive. Moreover, there can be no assurance that the application of such allocation policies and procedures will result in the

allocation of a specific investment opportunity to any particular Client, Related Account Group, or Third-Party Client, nor that any such Client, Related Account Group, or Third-Party Client will participate in all investment opportunities falling within its investment objective. Nor can there be any assurance that allocations within any Related Account Group will optimize the Related Account Group Portfolio of Athene Holding or of ACRA, as applicable.

Subject to the foregoing, Apollo's allocation policies and procedures provide:

- (i) the AGM allocations committee (the "AGM Allocations Committee") to (among other things): (a) review the actions taken by sub-committees of the AGM Allocations Committee (the "Allocations Sub-Committees") and conflicts of interest that cannot be resolved by the Allocations Sub-Committees; (b) review questions regarding a Client's mandate; (c) review potential distressed for control investments; and (d) review opportunities involving third party Co-Investors;
- (ii) the Allocations Sub-Committees to: (a) review and approve proposed allocations of investment opportunities among Apollo business units; (b) review such conflicts that cannot be resolved by the portfolio managers; and (c) review and approve all pending and broken deal expense allocations; (d) review certain Client, Related Account Group and Third-Party Client allocations;
- (iii) an ISG allocations committee ("ISG Allocations Committee") to (among other things): (a) review, on a periodic basis, the allocations made to ISG Client Accounts during prior periods in light of ISG's allocation policies; (b) review, on an ad hoc basis, allocation requests; and (c) review certain conflicts of interest that may arise in connection with different ISG Clients (that are not in the same Related Account Group) investing in different levels of an issuer's capital structure;
- (iv) allocation guidelines on which the Apollo Credit Managers, including ISG, and committees base their allocation decisions; and
- (v) guidelines to resolve potential conflicts of interest that arise where multiple Clients Related Account Groups, or Third-Party Clients hold interests (including outright positions in issuers and exposure to such issuers derived through any synthetic and/or derivative instrument) in multiple tranches of securities of any issuer (or other interests of an issuer) or multiple Clients, Related Account Groups or Third-Party Clients having interests in the same tranche of an issuer.

An investment opportunity will be allocated to a Client, Related Account Group or Third-Party Client if the opportunity reasonably falls within such Client, Related Account Group or Third-Party Client's mandate and is deemed suitable by the relevant portfolio manager, investment committee, AGM Allocations Committee, Allocations Sub-Committee, ISG Allocations Committee, or allocator, as appropriate. If an investment opportunity falls within the mandate of, and is deemed suitable for, two or more Apollo Credit Manager Clients, Related Account Groups or Third-Party Clients, and it is not possible to fully satisfy the investment interest of all such parties, the investment opportunity will be allocated pro-rata based on the size of each Client's, Related Account Group's or Third-Party Client's (as applicable) original investment interest,

subject to factors discussed below. The size of each Client's, Related Account Group's or Third-Party Clients' (as applicable) investment interest will generally be determined based on, among other things, each Client's, Related Account Group's or Third-Party Clients' distance from its strategic asset allocation size of its portfolio available capital or net asset value.

In both cases – within Related Account Groups and as between Apollo Credit Manager Clients, Related Account Groups and Third-Party Clients – many other factors influence order allocation decisions, including, without limitation:

- (i) the relative, actual or potential exposure of any particular Client, Related Account Group or Third-Party Client to the type of investment opportunity in terms of its existing investment portfolio;
- (ii) the investment objectives, guidelines or restrictions of such Client, Related Account Group or Third-Party Client or the Investment Guidelines (as defined below) of a given Reinsurance Relationship;
- (iii) cash availability, suitability, Client, Related Account Group or Third-Party Client instructions, whether a purchase is being made for a specific Client, Related Account Group or Third-Party Client permitted leverage and available financing for the investment opportunity (including, without limitation, taking into account the levels/rates that would be required to obtain an appropriate return);
- (iv) the likelihood of current income;
- (v) the size, liquidity and duration of the investment opportunity;
- (vi) the seniority of an investment and other capital structure criteria;
- (vii) with respect to an investment opportunity originated by a third party, the relationship of a particular Client, Related Account Group or Third-Party Client (or the portfolio manager) to or with such third party;
- (viii) tax, accounting, risk-based capital and/or asset/liability management considerations;
- (ix) legal or regulatory considerations;
- (x) supply or demand for an investment opportunity at a given price level;
- (xi) a Client's, Related Account Group's or Third-Party Client's (as applicable) risk or investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage, liability duration or weighted average life, asset class type or other similar risk metrics);
- (xii) whether a Client, Related Account Group or Third-Party Client is able to commit to invest all capital required to consummate a particular investment opportunity;

- (xiii) whether the investment opportunity is a follow-on investment or upsize to an existing investment;
- (xiv) the use of leverage in the proposed capital structure;
- (xv) whether the investment vehicle is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available capital could be subjectively adjusted to account for anticipated inflows or redemptions) (e.g., in the case of a Client, Related Account Group or Third-Party Client ramp-up period, liquidation period or when incubating a particular investment strategy or product or the investment period or term of a Client, Related Account Group or Third-Party Client);
- (xvi) relationships among Clients, Related Account Groups or Third-Party Clients, such as whether Clients, Related Account Groups or Third-Party Clients, have parent/subsidiary relationships or whether a Client's economic exposure has been swapped to or otherwise assumed by one or more other parties (e.g., in the case of a Cedent (as defined in Item 4) and one or more Reinsurers);
- (xvii) whether an investment opportunity requires additional consents or authorizations from a Client, Related Account Group or Third-Party Client or third parties;
- (xviii) whether an investment opportunity would enable a particular Client, Related Account Groups or Third-Party Client (or combination) to qualify for certain programmatic benefits or discounts that are not readily available to other Clients, Related Account Groups or Third-Party Clients including, but not limited to, the ability to enter into credit arrangements with certain financial or governmental institutions;
- (xix) such other criteria reasonably related to an allocation of a particular investment opportunity to one or more Clients, Related Account Groups or Third-Party Clients; and
- (xx) the applicability of the Co-Investment Order (as defined below).

In determining whether an investment opportunity falls within a Client's mandate, the relevant portfolio manager, allocator or investment committee, AGM Allocations Committee, Allocations Sub-Committees or the ISG Allocations Committee, as appropriate, will take into consideration that:

- (i) the applicable Governing Documents of each Client, Related Account Group or Third-Party Client disclaim, to greater or lesser degrees, the obligation to offer such Client, Related Account Group or Third-Party Client investment opportunities that fall within its investment objective or mandate;
- (ii) Apollo endeavors to not systematically disadvantage any Client, Related Account Group or Third-Party Client;



- (iii) the ultimate character of an investment opportunity (i.e., its risk/reward profile) could not become clear until a great deal of diligence and analysis has been completed by the portfolio manager pursuing such investment opportunity;
- (iv) investment opportunities that are outcomes of heavily negotiated transactions are capable of being structured in a variety of ways, each of which presents its own particular risk/reward profile;
- (v) a Client, Related Account Group or Third-Party Client could have more than one mandate; and
- (vi) the applicability of the Co-Investment Order (as defined below).

Further, in connection with investment opportunities where two or more Clients, Related Account Groups or Third-Party Clients are expected to participate (including in connection with co-investments), to the extent a deposit or other financial commitment is required as part of the transaction process, Apollo has the discretion to cause one of the participating Clients, Related Account Groups or Third-Party Clients (as applicable) to make the deposit or provide the financial commitment on behalf of itself and other Clients, Related Account Groups or Third-Party Clients (as applicable) and will take such additional reasonable steps to ensure such arrangements are ultimately shared equitably among the participating Clients, Related Account Groups or Third-Party Clients (as applicable).

*Allocation of Co-Investment Opportunities.* The general partner of a Client or its affiliates, in its discretion, could offer opportunities to co-invest alongside one or more Clients to Co-Investors in light of, among other things, the considerations described above. Such co-investments are typically structured through Co-Investment Vehicles organized to facilitate such investments.

The general partner of a Client and its affiliates allocate co-investment opportunities among Co-Investors in any manner they deem appropriate, taking into account those factors that they deem relevant under the circumstances, including, but not limited to:

- (i) whether a prospective Co-Investor has expressed an interest in participating in co-investment opportunities (e.g., by such investor's side letter);
- (ii) the character or nature of the co-investment opportunity (e.g., its size, structure, geographic location, relevant industry, tax characteristics, timing and any contemplated minimum commitment threshold);
- (iii) the level of demand for participation in such co-investment opportunity;
- (iv) the ability of a prospective Co-Investor to analyze or consummate a potential co-investment opportunity on an expedited basis;
- (v) certainty of funding and whether a prospective Co-Investor has the financial resources to provide the requisite capital;
- (vi) the investing objectives and existing portfolio of the prospective Co-Investor;

- (vii) whether a prospective Co-Investor is a person whom the relevant Apollo Credit Manager believes will provide a strategic benefit to Apollo, the Client, a portfolio investment or one or more of their respective affiliates due to industry expertise, regulatory expertise, end user expertise or otherwise;
- (viii) the reporting, public relations, competitive, confidentiality or other issues that could also arise as a result of the co-investment;
- (ix) the legal, tax or regulatory constraints to which the proposed investment is expected to give rise;
- (x) the use of leverage in the proposed capital structure; and
- (xi) the Co-Investor's existing or prospective relationship with Apollo.

There are a variety of circumstances where Apollo is incentivized to offer co-investment opportunities to one Co-Investor over another. For example, Apollo is incentivized to offer such co-investment opportunity to certain Co-Investors over others when the economic arrangement with such Co-Investors is more favorable to Apollo. Additionally, Apollo has been (and could again in the future be) contractually obligated to offer certain Co-Investors a minimum amount of co-investment opportunities or otherwise bear adverse economic consequences for failure to do so. In addition, as contemplated herein, the portion of any Special Fees payable in connection with any portfolio investment that are allocable to investments by Co-Investors will not reduce Managements Fees paid by the Client and will be retained by, and be for the benefit of, the Apollo Credit Manager. Therefore, the Apollo Credit Manager could be incentivized to allocate a greater portion of such portfolio investment to Co-Investors that it would have otherwise allocated to Co-Investors in the absence of such arrangements.

No person (including any limited partner or other investor of any Client) other than a Client should have any expectation of receiving an investment opportunity or will be owed any duty or obligation in connection therewith, and Clients (and their respective limited partners, shareholders or other investors) should only have such expectations to the extent required by their Governing Documents (including, if applicable, their side letters).

### **Co-Investments Generally**

*Terms of Co-Investments.* Co-investments that are not entered into pursuant to the Co-Investment Order will generally be made at substantially the same time as a Client's investment and on economic terms at the investment level that are substantially no more favorable to such Co-Investors than those on which the Client invests. Any such co-investment will also be generally sold or otherwise disposed of at substantially the same time as the Client's disposition of its interest in such investment and on economic terms at the investment level that are substantially no more favorable to such Co-Investors than those on which the Client disposes of its interest in such investment. However, the Apollo Credit Managers have, at times, determined in good faith that other terms, proportions or timing are advisable due to legal, tax, regulatory or other considerations or limitations, or advisable in order to facilitate a transaction and are likely to do so in the future. These terms do not apply to investments by certain categories of Co-Investors, including management or employees of the relevant portfolio investment, pre-existing investors in such

portfolio investment, joint venture partners with respect to such portfolio investment, other credit funds or similar persons not affiliated with the Apollo Credit Managers or other Clients.

*Compensation Associated with Co-Investments.* The Apollo Credit Managers and/or any of their affiliates have discretion to (i) receive performance-based compensation, Management Fees or other similar fees from Co-Investors and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements. In addition, in connection with any such co-investment, the Apollo Credit Managers or any of their affiliates will retain the portion of the Special Fees allocable or otherwise attributable to investments in portfolio investments by any such Co-Investors, whether or not such portfolio investments are consummated. The Apollo Credit Managers or their affiliates could make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such performance-based compensation, Management Fees or other similar fees.

*Expenses Associated with Co-Investments.* With respect to consummated co-investments, Co-Investors will bear their pro-rata share of fees, costs and expenses related to, among other things, the discovery, investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments or the Co-Investment Vehicles through which they participate, although it is possible that the relevant portfolio investment (rather than the Co-Investors themselves) will bear such expenses. With respect to a proposed co-investment that is not consummated, Co-Investors that are contractually committed to participate in such proposed co-investment and that agree to bear their share of any fees, costs or expenses that were incurred in connection with such proposed co-investment, including break-up fees or broken-deal expenses, will bear their share of such expenses. However, in instances where Co-Investors have not yet contractually committed to a proposed co-investment or have not agreed to bear any such fees, costs or expenses, any such fees, costs and expenses will be considered Operating Expenses and be borne by the Client to the extent permitted by the applicable Governing Documents or where disclosure of such treatment was made to the investors in such Client prior to their investment therein. To the extent such expenses cannot be borne by such Client, the applicable Apollo Credit Managers will bear these expenses.

In the event that Co-Investors actually participate in a consummated co-investment through one or more Co-Investment Vehicles, they will bear their pro-rata share of the aggregate Organizational Expenses of all such vehicles; however, Organizational Expenses associated with a Co-Investment Vehicle organized in connection with a particular portfolio investment are generally borne by such portfolio investment, and therefore, indirectly by investors in such portfolio investment, including, without limitation, the applicable Client and such Co-Investment Vehicle. Co-Investors could receive compensation arrangements relating to the investment, including incentive compensation arrangements, where such Co-Investors include one or more members of a portfolio investment's management group. Finally, some of the Co-Investors with whom Clients co-invest could have pre-existing investments with Apollo. The terms of those pre-existing investments could differ from the terms upon which such persons could invest with Clients.

*Over-Commitment.* In order to facilitate the acquisition of an investment, an Apollo Credit Manager or one or more of its affiliates could, on behalf of itself or one or more of its Clients, make or commit to make an investment that exceeds the desired amount with a view to selling a

portion of such investment to Co-Investors or other Clients prior to or after the closing of the acquisition. In such event, Clients bear the risk that any or all of the excess portion of such investment is not sold or sold on unattractive terms. As a consequence, the applicable Clients could bear the entire portion of any fees, costs and expenses related to such investment including, but not limited to, break-up fees and hold a larger than expected portion of such investment and could realize lower than expected returns from such investment. The Apollo Credit Managers endeavor to address such risks by requiring such investments to be in the best interests of their Clients, regardless of whether any sell-down ultimately occurs. However, in such circumstance, it is possible that the Client(s) that over-committed to the transaction will bear a disproportionate allocation of the risks associated with such transaction and will not be compensated for assuming such risks.

*The Co-Investment Order.* Certain Clients have overlapping investment strategies with other Clients, including other Clients that are registered under the Investment Company Act of 1940 (“Company Act”) (such registered Clients, the “Apollo Registered Funds”). The Company Act prohibits Apollo Registered Funds from co-investing with other Clients where non-price terms are negotiated (such as financial and negative covenants, guarantees and collateral packages and indemnification provisions) unless an exception or exemption applies. On March 29, 2016, certain Apollo Registered Funds, including Apollo Investment Corporation and certain of its related entities, received an exemptive order from the SEC (the “Co-Investment Order”) (Company Act Release No. 32057) permitting Apollo to negotiate, among other things, these types of provisions for co-investment opportunities that involve the participation of both non-registered Clients and Apollo Registered Funds. As a result, to the extent specific investment opportunities are appropriate for a Client and one or more Apollo Registered Funds, in addition to being subject to the allocation policies and procedures summarized above, the opportunity will also be subject to the conditions of the Co-Investment Order and other requirements, which could limit a Client’s ability to participate in a co-investment transaction. Reliance on the Co-Investment Order is subject to certain terms and conditions, including, among others, internal notification of investment opportunities, independent determination by senior members of each applicable Apollo Registered Fund’s investment team as to the appropriateness of each applicable investment, enhanced record keeping and, where applicable, approval of a “required majority” (as defined in Section 59(o) of the Company Act) of the independent directors of the applicable Apollo Registered Funds.

There can be no assurance that the Co-Investment Order will facilitate the successful consummation of investment opportunities that Apollo believes are now available to Clients as a result of the Co-Investment Order. In addition, there is also no assurance a Client will be able to participate in all investment opportunities pursued under the Co-Investment Order that are within its investment objectives. As a result of the Co-Investment Order, there will be a need to allocate investment opportunities across a larger amount of available capital. As such, the allocations available to Clients for investment opportunities that are subject to the Co-Investment Order could be adversely affected. Investment opportunities that are subject to the Co-Investment Order are also subject to additional policies and procedures as a result of the participation of the Apollo Registered Funds, which could delay deal execution and adversely impact the ability of Clients to deploy capital.

## Investment Valuation and Realization

The existence of performance-based compensation and varying levels and calculations of Management Fees creates a conflict of interest in valuing investments and there will be situations in which the Apollo Credit Managers are incentivized to influence or adjust the valuation of Client assets. For example, the Apollo Credit Managers are incentivized to: (i) employ valuation methodologies that improve a Client's track record; (ii) defer recognizing losses from investments that have experienced a permanent impairment that must be returned prior to an affiliate (i.e., a general partner) receiving a carried interest; or (iii) for certain Clients, employ valuation methodologies that give rise to a higher valuation in order to increase fees, such as in the case of a Management Fee that is calculated as a percentage of the value of such Client's assets. The Apollo Credit Managers have adopted the following Apollo policies to address these potential conflicts.

*Valuation of Client Assets.* Certain assets owned by or managed for Clients are those for which there is no, or only a limited, liquid market, and the fair value of such assets could not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized upon the eventual disposition of the investment.

Except as described below, Apollo Credit Managers intend to comply with GAAP and to apply Accounting Standards Codification 820 ("ASC 820") and other relevant Financial Accounting Standards Board ("FASB") statements and guidance to the valuation of their Clients' assets and liabilities. Financial reporting that is compliant with GAAP is required to follow the requirements for valuation set forth in ASC 820, "Fair Value Measurements and Disclosures," which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. ASC 820 and other accounting rules applicable to investment funds and their assets are evolving, and additional FASB statements and guidance and additional provisions of GAAP that could be adopted in the future could impose additional or different specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting. Such changes could adversely affect Clients. For example, to the extent that the rules governing the determination of the fair market value of assets change, such changes could increase the cost of fair market valuations or reduce the availability of third-party determinations of fair market value.

Generally, GAAP is applied when such fair value determinations are made, except as otherwise set forth in a Client's applicable Governing Documents. For example, for certain Clients, GAAP is not applied to the valuation of exchange-traded securities held (i) directly by Clients as portfolio investments or (ii) indirectly by Clients through special purpose vehicles or other entities not considered to be portfolio investments of such Clients. In those cases, the exchange-traded securities are valued for purposes of the calculation of the pro forma return ratio (as discussed below) based on their average trading prices during the fifteen-day period prior to and following the measurement date. Conversely, exchange-traded securities held by Clients indirectly through portfolio investments are valued in accordance with GAAP.

Where a Client is a private equity style fund, the Client's private equity-like assets could be valued at fair value or at an amount other than GAAP fair value (for example, historical cost) for financial statement reporting purposes unless the asset has suffered a permanent impairment in value for

purposes of calculating Management Fees and carried interest distributions. Valuing assets at other than GAAP valuations could result in the Apollo Credit Managers receiving higher (or lower) Management Fees than would otherwise be received if assets were valued at fair value. In addition, valuing assets at an amount other than fair value could result in the general partner of a Client receiving a higher (or lower) carried interest distribution or performance allocation than it would if assets are valued at fair value. If Client assets are valued at other than fair value, the Client's Governing Documents disclose the applicable valuation methodology.

Notwithstanding the foregoing, the Apollo Credit Managers could determine in certain instances to assign to a particular asset a different value, determined pursuant to the applicable Client's Governing Documents, than the value assigned to such asset for financial reporting purposes. In particular, the Apollo Credit Managers could not apply GAAP when determining an asset's value for purposes of determining distributions.

Accordingly, limited partners or shareholders of Clients that are Apollo Credit Funds should only expect such assets or liabilities to be valued in accordance with GAAP, for purposes of preparing the Client's GAAP-compliant audited financial statements. Otherwise, except as expressly required by the terms of the applicable Governing Documents, the Apollo Credit Managers could assign such assets or liabilities a different value for all other purposes (including without limitation, for purposes of allocating gains and losses), without regard to any GAAP requirements relating to the determination of fair value.

For certain Clients, the carried interest paid to such Client's general partner is generally subject to an escrow mechanic in order to maintain a certain "pro forma return ratio." This ratio compares the amounts held in the escrow account, plus the fair value of all investments, including, in certain cases, income or gain previously distributed in respect of all investments held by the Client against unreturned capital contributions funded for investments, Management Fees, Organizational Expenses, Operating Expenses and placement fees. As stated above, a higher fair value determination will contribute to the pro forma return ratio being met, which will lead the general partner of a Client to distribute carried interest sooner or in larger amounts than it otherwise could.

See Item 10 for additional disclosure regarding valuation of ISG Clients' assets by ISG.

*Distribution Methodologies.* Most Credit Funds that are closed-ended in nature utilize a "European" distribution methodology (such that a Client is required to return to its investors an amount equal to their respective capital contributions to the Client plus the preferred return thereon, prior to the general partner of a Client being entitled to any carried interest or portion of the Client's profits). However, in the case of (1) an open-ended Credit Fund that utilizes an annual incentive allocation structure (where the incentive allocation is calculated based on the realized and unrealized appreciation in the Credit Fund's investments in the relevant period of time) or (2) a closed-ended Credit Fund that utilizes a "deal by deal" distribution methodology (such that the general partner of such Client can be entitled to a carried interest in respect of investments then and previously disposed of, taking into account any write-downs in the value of the assets of the Client), the general partner or applicable Apollo Credit Manager of either type of Client is incentivized to avoid writing down the value of assets and instead employ valuation methodologies that could give rise a higher valuation of such assets because the general partner could be in a position to receive its carried interest (or a higher carried interest). In addition, in the case where

distributions in-kind are made to a Client's investors, the general partner or applicable Apollo Credit Manager is incentivized to employ valuation methodologies that could give rise to a higher valuation of such assets. The Apollo Credit Managers have adopted Apollo's valuation policies and procedures which are intended to address conflicts of interests that arise in respect of the valuation of their Clients' assets.

Carried interest distributions to the general partner or similar person of a Client become payable earlier if profitable investments are liquidated before unprofitable investments because the distribution waterfall does not permit any distributions of carried interest until after the cumulative amount of distributions have covered any prior losses associated with unprofitable investments. Further, in the "catch-up" period that occurs after investors have received the applicable priority return (typically set at eight percent per year, compounded annually) and return of their capital contribution with respect to the applicable investment, the general partner or similar person of such Client entitled to carried interest will typically receive between 80 and 100 percent of distributions until such time as it receives 20 percent of the fund's cumulative profits. During this period, the general partner or similar person is incentivized to bring realizations forward, lock in returns and stop the accrual of the priority return, even though the investors could achieve a better overall return if the Client retained the investment for a longer period of time.

To mitigate this conflict, the Governing Documents of Clients contain a requirement that the general partner or similar person make a commitment to the capital of the fund and include a "clawback" obligation requiring the general partner or similar person to return excess distributions to investors (often at liquidation of the fund) in the event that the general partner or similar person receives more than its carried interest percentage of profits on an aggregate basis over the life of the fund. As a clawback obligation owed to investors of a Client is calculated on an after-tax basis under the applicable Governing Documents, investors could not ultimately receive their full share of profits that they would have otherwise received had there been no excess distribution to the general partner or similar person throughout the term of an Apollo Credit Fund.

In addition, the Apollo Credit Managers are incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Management Fees in the interim, and potentially, a more likely or larger carried interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the aforementioned clawback obligations in certain Clients.

*Distribution In-Kind.* While the Governing Documents of a Client typically specify an investment period within which new investments are to be consummated, there is more flexibility in the general partner's discretion regarding when investments must be realized. In addition, a Client could make portfolio investments that are not advantageously disposed of prior to such Client's dissolution, either by expiration of its term or otherwise. Although the Apollo Credit Managers expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at termination, Clients could be forced to sell, distribute or otherwise dispose of portfolio investments at a disadvantageous time as a result of dissolution. Further, Clients' Governing Documents do not typically impose a strict obligation on a Client's general partner or liquidator to realize investments within a certain period of time after dissolution, and there can be no assurances with respect to the time frame in which the winding down and the final distribution of proceeds to investors will occur.

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

Since assets distributed in-kind are typically illiquid in nature, the potential conflicts of interest described under “Valuation of Client Assets” above will also apply. Such investments could not be readily marketable or saleable and could have to be held by investors for an indefinite period of time. Widespread holding of portfolio investments, particularly of private illiquid securities, could also entail a significant administrative burden. In addition, the direct holding of certain investments could subject the holder to suit or taxes in jurisdictions in which such investments are located.

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

*Structured Finance Arrangements.* From time to time, Apollo finances, securitizes or employs structured finance arrangements in respect of certain balance sheet assets held by Apollo. For example, Apollo could establish entities in which it owns an equity interest, and which are funded in part through financing provided by one or more third parties (“Apollo Financing Partners”), and such Apollo Financing Partners could hold limited partner interests in Clients. The interest of any Apollo Financing Partners in Clients could count towards satisfaction of Apollo’s commitment to such Clients, will not be subject to management fees and carried interest and could otherwise be entitled to and subject to the same rights and obligations as other limited partners of the Clients, including voting rights. Apollo could also employ structured financing arrangements with respect to co-investment interests and investments in other Clients made by Apollo entities (including, potentially co-investments with Clients). These structured financing arrangements could alter Apollo’s returns and risk exposure with respect to the applicable balance sheet assets as compared to its returns and risk exposure if Apollo held such assets outside of such structured financing arrangements, and could create incentives for Apollo to take actions in respect of such assets that it otherwise would not in the absence of such arrangements or otherwise alter its alignment with investors in such investments (including the Clients). These arrangements could also result in Apollo realizing liquidity with respect to its equity investment in a Client at a different point in time (including earlier) than the limited partners of such Client.

In addition, a Client could, subject to applicable requirements in its Governing Documents, which could include obtaining advisory board consent, determine to sell a particular portfolio investment into a separate vehicle, which could be managed by Apollo, with different terms (i.e., longer duration) than a Client which originally acquired the portfolio investment, and provide investors with the option to monetize their investment with a Client at the time of such sale, or to roll all or a portion of their interest in the portfolio investment into a new vehicle. Under such circumstances,



Apollo could invest in or alongside the new vehicle, or hold the entirety of the portfolio investment sold by a Client through or alongside the new vehicle (i.e., in the event that all investors elect to monetize their investment at the time of sale to the new vehicle).

## **ITEM 7**

### **Types of Clients**

The Apollo Credit Managers provide investment advice to pooled investment vehicles, SIFs and separately managed accounts. In addition, as discussed in Item 4 above, certain Apollo Credit Managers serve as investment advisers or collateral or administrative managers to CLOs, CDOs and other structured investment vehicles, residential real estate finance companies, insurance and reinsurance companies, reinsurance accounts and closed-end, non-diversified investment companies.

Investors participating in Clients are required to meet certain suitability and net worth qualifications, such as (i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”); (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Company Act; or (iii) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Company Act, depending on the applicable eligibility requirements of the respective Client.

The minimum investment for most Apollo Credit Funds is stated in the applicable Governing Documents and is generally set at \$5 million. The general partners of the Apollo Credit Funds have discretion to waive the applicable minimum.

Clients advised by Apollo ST Fund Management LLC do not have a minimum investment size.

## **ITEM 8**

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

The following is a summary of the investment strategies and methods of analysis employed by the Apollo Credit Managers on behalf of Clients. This summary should not be interpreted to limit in any way Apollo Capital Management’s investment activities. Apollo Capital Management offers advisory services, provides advice with respect to investment strategies and makes investments, including those that could not be described in this Brochure, that Apollo Capital Management considers appropriate, subject to each Client’s investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client’s Governing Documents. In the case of separately managed accounts managed by the Apollo Credit Managers (other than ISG, the separately managed accounts of which will have their investment strategies and methods of analysis set forth in a combination of each Client’s related Reinsurance Treaty and Reinsurance Investment Management Agreement), the investment strategies and methods of analysis employed on behalf of each managed account will, to the extent applicable, be set forth in the Management Agreement between the managed account and the respective Apollo Credit Manager or in other related documents. There can be no assurance that the investment objectives of any Client will be achieved.

Subject to a Client’s applicable Governing Documents, the relevant Apollo Credit Manager and general partner of a Client are responsible for making all investment decisions, including any buy,

sell and financing decisions. While the decisions of such Apollo Credit Manager and general partner of such Client will be subject to the investment objectives and guidelines set forth in the applicable Governing Documents, the relevant Apollo Credit Manager and general partner of such Client could take into account other factors, considerations and interests in making such decisions, including their own interests or the interests of other Clients or any of their respective portfolio investments.

## **Methods of Analysis**

The Apollo Credit Managers conduct research on prospective investments. Depending on the type of prospective investment, research could include, for example, a review of the company's financial statements, comparisons with similar public and private companies and analyzing relevant industry data (such as information on customers and suppliers). In conducting such research, the Apollo Credit Managers could consult the following sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, SEC filings, company press releases and any other material the Apollo Credit Managers deem relevant. For individual loans, the Apollo Credit Managers could research credit history, and for loan portfolios, the Apollo Credit Managers could research, among other things, payment and loss history, contractual terms and interest income. The Apollo Credit Managers could engage the services of experts and consultants to supplement their research.

## **Investment Strategies**

Generally, a Client's investment strategy is outlined in its applicable Governing Documents. The Apollo Credit Managers' objective is to achieve attractive risk-adjusted returns over the long-term across economic cycles. On a firm-wide basis, Apollo's investment approach is value-oriented, focusing on industries in which it has considerable knowledge, and emphasizes downside protection and the preservation of capital. Apollo Credit Managers principally seek to make investments on behalf of their Clients that offer a compelling risk/reward, are undervalued by the markets and/or are priced at attractive yields. The Apollo Credit Managers develop investment strategies based upon the following distinguishing characteristics of Apollo's firm-wide business:

*Integrated Business Model with Strong Credit Expertise.* The Apollo Credit Managers and their affiliates rely on Apollo's investment professionals' active participation in, and experience with, credit markets to gain understanding of transaction sourcing, investing, operating and exit opportunities. Apollo's private equity, credit and real assets businesses are operated on an integrated investment platform with no information barriers.

*Flexible Approach to Investing Across Market Cycles.* Apollo has consistently invested capital throughout economic cycles by focusing on opportunities that it believes are often overlooked by other investors. Its expertise in credit markets, focus on core industry sectors and investment experience allows Apollo to respond quickly to changing environments. Apollo pays close attention to the cycles that the core industry sectors are experiencing and is opportunistic in entering and exiting investments when the risk/reward profile is in Apollo's favor.

*Platform Investments.* As Apollo continues to seek additional sourcing channels for investment opportunities for Clients, it is also anticipated that there will be opportunities for investments in various companies or businesses, including, among others, financial services companies and investment advisory/management businesses, that would be allocated to Apollo, in whole or in part, as part of developing investment sourcing opportunities for Apollo Clients, including as part of such underlying investment, a commitment to fund or otherwise contemporaneously participate in such sourcing opportunities by Clients (such investments, “Platform Investments”). Any fees, costs and expenses arising from or in connection with the discovery, evaluation, investigation, development and consummation of potential Platform Investments, even in circumstances where a Client is not invested in the relevant Platform Investment, will be considered Operating Expenses and will be borne by a Client in accordance with Apollo’s expense allocation procedures. In addition, for any such Platform Investments, to the extent a Client participates in one or more investment opportunities sourced by such platform (irrespective of whether any such investment is consummated), any fees earned by Apollo or any of its affiliates in respect of such Platform Investment, including management fees or other incentive compensation arrangements, will not constitute Special Fees and will not be applied to reduce management fees of management fee-paying investors in Clients.

From time to time, Apollo recruits an existing or newly formed management team to pursue a new “platform” opportunity that is expected to lead to investment opportunities for Clients. In other cases, a new Platform Investment could be formed and used to recruit an existing or newly formed management team to build the such Platform Investment through acquisitions and organic growth. Finally, in order to augment the Apollo Credit Managers’ capabilities and diligence techniques and, in some instances, to operate or service investments, Apollo could partner with, including through Platform Investments or by making investments in, high-quality operators with significant expertise and the requisite skills to operate or service investments. The structure of each Platform Investment and the engagement of each operating partner will vary, including in respect of whether a management or operating team’s services are exclusive to the platform and whether members of the management team are employed directly by such platform or indirectly through a separate management company established to manage such platform, and such structures are subject to change throughout an investment’s hold period, for example, in connection with potential restructurings, refinancings and/or dispositions. Members of the management or operating team for a Platform Investment could include former Apollo personnel, industry advisors, senior advisors and Apollo advisors. The management or operating team of a Platform Investment (or one or more members thereof) could also provide the same or similar services with respect to other Platform Investments of one or more Clients or provide the same or similar services for assets owned by third parties. A Client could realize a Platform Investment (in whole or in part) through sale of the platform or a disposition of assets held through the platform. The services provided by the platform’s management and operating team could be similar to, and overlap with, services provided by Apollo to Clients, and the services could be provided exclusively to the Platform Investments. Apollo could also form a joint venture, from time to time, with certain Clients to operate Platform Investments. In such cases, Apollo could utilize the personnel that comprise the management or operating teams of the Platform Investments, and not the assets, to support Apollo Clients.

For all Platform Investments, Clients will bear the expenses of the management team and/or portfolio entity, as the case could be, including, for example, any overhead expenses, management fees or other fees, employee compensation, diligence expenses or other expenses in connection with backing the management team and/or the buildout of the platform entity. Such expenses could be borne directly by a Client as an Operating Expense (or broken deal expenses, if applicable) or indirectly as a Client bears the start-up and ongoing expenses of the newly formed platform. The compensation of management of a platform portfolio entity could include management fees (or other fees, including, for example, origination fees) or interests in the profits of the portfolio entity (or other entity in the holdings structure of the Platform Investment), including profits realized in connection with the disposition of an asset and other performance-based compensation. Although a platform portfolio entity could be controlled by one or more Clients, members of a management team will not be treated as affiliates for purposes of the applicable Governing Documents. Accordingly, none of the compensation or expenses described above will be offset against any management fees or carried interest distributions payable to Apollo and will be borne by the applicable Platform Investment or by a Client as Operating Expenses.

*Investments in Clients.* To the extent set forth in a Client's Governing Documents, a Client could also invest in other Clients, including (i) asset-backed securities investments issued by, related to or that otherwise constitute Clients, (ii) Platform Investments and joint ventures (including joint ventures formed in connection with Platform Investments, even in circumstances where such Client is not invested in the relevant Platform Investment), (iii) newly-formed Clients established for a particular investment and (iv) in circumstances where such Client could serve as the initial or "anchor" investor in a new Client (any additional Clients into which a Client serves as an "anchor" investor, an "Apollo Anchor Client" and, any such anchor investment, being "Anchor Capital"). A Client will be directly or indirectly subject to the terms of the Governing Documents of the additional Client in which it invests, and such terms will control with respect to such investment without any corresponding application of the terms and conditions as between such Client and Apollo (even if such terms are inconsistent). For example, the applicable Governing Documents of such Client could provide for a different form, manner, timing or calculation of performance-based compensation that could result in Apollo receiving such compensation from such Client in a greater amount, earlier or subject to fewer or less burdensome conditions than is the case for the carried interest allocable by the Client investing in such Client. Clients into which a Client invests could, in turn, invest in other Clients or portfolio investments of Clients. Such activity will subject a Client to additional risks. For example, a Client could bear an additional layer of fees (which will not reduce management fees paid by such Client and will be retained by, and be for the benefit of, Apollo or any of their respective affiliates or employees) as a result of investing into an additional Apollo Client, as well as its pro-rata share of the expenses of such Clients. In some circumstances, an Apollo Anchor Client that has received significant withdrawal and/or redemption requests could suspend or limit withdrawals and/or redemptions, including withdrawals and/or redemptions by a Client. A Client will generally not have an active role in the day-to-day management of another Apollo Client, Platform Investment or joint venture or have the opportunity to evaluate the specific investments made thereby before they are made. The returns of a Client will depend in part on the performance of the team managing the other Client(s) and could be substantially adversely affected by the unfavorable performance of such team(s). Similarly, a Client could invest on the basis of certain short-term market considerations. As a result, the turnover rate with the Client could be significant, potentially involving substantial

brokerage commissions, fees and other transaction costs. Because an Apollo Anchor Client, Platform Investment or joint venture could be operated by a newly-formed management team without a significant track record, an Anchor Capital investment could be subject to more significant risks than would be the case if a Client invested with a more “seasoned” team with a longer track record.

## **Risk of Loss**

Participation in Clients is only suitable for investors who have knowledge and expertise in financial and business matters and are capable of evaluating the merits and risks of an investment in such Client. The acquisition of interests or shares in a Client and the investments made by Clients are highly speculative and could involve the risk of total loss of an investor’s capital.

The following risk factors are those applicable to all Clients and/or their investors. These risk factors do not purport to be a complete list or explanation of the risks involved in each Client. The Governing Documents applicable to a Client include a more detailed summary of the material risks and the investment strategy for that Client and should be read in conjunction with the risk factors identified below.

*No Assurance of Investment Returns.* The Apollo Credit Managers cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of investments or assets that fall within such Clients’ individual investment objectives. Clients could enter into agreements or consummate transactions that involve payments, such as reverse break-up fees, that result in substantial costs to the affected Client and the elimination of the possibility of a return, in particular if the transaction is not consummated.

*Substantial Fees and Expenses.* Clients typically pay Management Fees, Organizational Expenses and Operating Expenses as set forth in their Governing Documents, side letters and/or fee agreements, whether or not they make any profits, as well as performance-based compensation if they make profits. While it is difficult to predict the future fees and expenses of Clients, such fees and expenses could be substantial. Please see Item 5 for additional information on fees and expenses.

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

The recent outbreak of the novel coronavirus (“COVID-19”) in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines, restrictions on travel, bans on public events and on public gatherings, closures of a variety of venues (e.g., restaurants, concert halls, museums, theaters, schools and

stadiums, non-essential stores, malls and other entertainment facilities) or shelter-in-place orders. On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. On March 13, 2020, the President of the U.S. declared the COVID-19 outbreak a national emergency. The U.S. federal government and U.S. state governments are continuing to implement a variety of actions to mobilize efforts to mitigate the ongoing and expected impact, and the Center for Disease Control is implementing its pandemic preparedness and response plans, working on multiple fronts, including providing specific guidance on measures to prepare communities to respond to the local spread of COVID-19 throughout the U.S. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. There are no comparable recent events in the U.S. which provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on Clients and their portfolio investments. The impact of the outbreak of COVID-19 could have a material adverse effect on Clients and the business, financial condition and results of operations of Clients' portfolio investments, particularly those portfolio investments that were already highly leveraged or distressed prior to such economic downturn, and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Failure to meet any such financial obligations could result in Clients and their portfolio investments being subject to margin calls or being required to repay indebtedness or other financial obligations immediately in whole or in part, together with any attendant costs, and Clients and their portfolio investments could be forced to sell some of their assets to fund such costs. In the event of any such consequences, Clients could lose both invested capital in and anticipated profits from the affected investment. No previous success by an Apollo Credit Manager or its affiliates in dislocated markets is any guarantee of Clients' success in respect of investing and managing any portfolio investment during and post-the COVID-19 pandemic.

*Hedging Policies/Risks.* In connection with certain investments, Clients could employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, commodities prices, currency exchange rates, as well as other risks. While such transactions could reduce certain risks, hedging transactions themselves entail other risks. Thus, while Clients could benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodities prices, currency exchange rates or other factors could result in a poorer overall performance for Clients that enter into hedging transactions.

*Regulatory Risks.* Recent legal and regulatory changes could adversely impact Clients. The regulation of U.S. and non-U.S. securities, futures markets and investment funds has undergone substantial changes in recent years and such changes could continue. The effect of such new regulations on Clients could be substantial and adverse and could subject Clients to increased capital requirements, fees, expenses and limits on the types of investors they could solicit. Laws and regulations can change quickly and unpredictably in a manner adverse to the Clients' interests. As a result, Clients and/or the Apollo Credit Managers could be subject to unduly burdensome and restrictive regulations.

The financial services industry and the activities of private funds and their managers in particular, have been subject to increasing regulatory scrutiny. This could increase the exposure of Clients

to potential liabilities and additional legal, compliance and other related costs that, as a result, adversely affect the ability of Clients to achieve their investment objectives.

*CFIUS & National Security/Investment Clearance Considerations.* Certain investments by Clients could involve businesses or real estate that implicate national security concerns and could be subject to review and approval by the Committee on Foreign Investment in the U.S. (“CFIUS”) and/or non-U.S. national security/investment clearance regulators depending on the beneficial ownership and control of interests in the Client that is making the investment. In the event that CFIUS or another regulator reviews one or more of the Client’s proposed or existing investments, there can be no assurance that the Client will be able to maintain, or proceed with, such investments on terms acceptable to the Client. CFIUS or another regulator could seek to impose limitations or restrictions that prevent the Client from maintaining or pursuing investments, which could adversely affect the Client’s performance with respect to such investments (if consummated) and thus the Client’s performance as a whole. In addition, certain limited partners of Clients will be non-U.S. investors, and in the aggregate, could comprise a substantial portion of a Client’s aggregate commitments, which increases both the risk that investments could be subject to review by CFIUS, and the risk that limitations or restrictions will be imposed by CFIUS or other non-U.S. regulators on such Client’s investments. In the event that restrictions are imposed on any portfolio investment by the Client due to the non-U.S. status of a limited partner or group of limited partners or other related CFIUS or national security considerations, the general partner could choose to restrict such limited partner, or such group of limited partners, from investing in any such investment, accessing information related to any such investment and/or otherwise being involved in decision-making related to any such investment. To the extent such limited partner or such group of limited partners are members of a limited partner advisory board or similar committee, the general partner could restrict their rights to participate in or vote on certain decisions related to investments in which they participate. Further, the presence of such types of limited partners will cause the general partner to not offer certain Co-Investment opportunities to them. However, there can be no assurance that any restrictions implemented on any such limited partner or any such group of limited partners will allow the Client to maintain, or proceed with, any investment.

*Use of Subscription Line Facilities.* Certain Apollo Credit Funds obtain subscription line facilities to facilitate investments (including on a temporary or permanent basis), support ongoing operations and activities of the Apollo Credit Funds and their respective portfolio investments, enable the Apollo Credit Funds to pay Management Fees or expenses and liabilities and for any other purpose for which the Apollo Credit Funds can call capital from their respective investors. Subscription line facilities will typically be entered into on a cross-collateralized basis with the assets of the parallel funds and alternative investment vehicles comprising an Apollo Credit Fund and, in certain instances, with portfolio investments. Such entities will typically be held jointly and severally liable for the full amount of the obligations arising out of such subscription line facility. If an Apollo Credit Fund obtains a subscription line facility, it is expected that the Apollo Credit Fund’s capital needs (including both interim and potentially permanent capital needs) will in most instances be satisfied through borrowings by the Apollo Credit Fund under the subscription line facility and, less so, by drawdowns of capital contributions by the Apollo Credit Fund. As a result, capital calls are expected to be conducted in larger amounts on a less frequent basis in order to, among other things, repay borrowings and related interest expenses due under such subscription line facilities.

Where an Apollo Credit Fund uses borrowings under a subscription line facility in advance or in lieu of receiving capital contributions from investors to repay any such borrowings and related interest expenses, the use of such facility will result in a higher or lower reported internal rate of return than if the facility had not been utilized and instead capital contributions from investors had been contributed at the inception of an investment. This will present conflicts of interest. For example, the interest rate on any borrowings is likely to be less than the rate of the preferred return due to the investors under the applicable Governing Documents. Because the preferred return of Apollo Credit Funds typically does not accrue on such borrowings, but rather only accrues only on capital contributions when made the use of such subscription line facilities could reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of performance-based allocation to the relevant general partner. This will provide the general partner with an economic incentive to fund investments through such facilities in lieu of capital contributions. In addition, Management Fees are paid to the Apollo Credit Manager using such borrowings even if capital contributions have not been made to the applicable Apollo Credit Funds by its investors, and the proceeds of such borrowings will inform the calculation of adjusted cost or any other metric used to determine the cost basis of an investment for purposes of calculating and paying Management Fees. Moreover, the fees, costs and expenses of any such facilities will generally be allocated among an Apollo Credit Fund and any parallel funds pro-rata or on such other basis that is determined by the general partner to be more equitable under the circumstances, which will increase the expenses borne by the applicable limited partners and would be expected to reduce net cash on cash returns.

In addition to subscription line facilities, an Apollo Credit Fund will engage in other types of borrowings that, as is the case with respect to subscription line facilities, can result in a higher or lower reported internal rate of return than if the borrowing were not put in place. These types of borrowings present conflicts of interest, as the general partner seeks to return distributions to investors in Clients and pay itself carried interest. This could result in Clients' pledging their interests in investments in exchange for liquidity, which could be well before the investment would otherwise have been realized or disposed of.

*Regulation and Enforcement; Litigation.* Clients are subject to U.S. and international regulations which could increase the costs associated with acquiring and operating Clients and the risk of regulatory examination, enforcement actions and third-party litigation. There can be no assurance that the Clients, their general partners, the Apollo Credit Managers or any of their affiliates will avoid regulatory examination, enforcement action or third-party litigation or adverse publicity relating to such a proceeding.

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

There is significant uncertainty regarding certain enacted legislation (including the Dodd-Frank Act and other regulations) and, consequently, the full impact that such legislation ultimately will



have on Clients, their general partners, the Apollo Credit Managers or any of their affiliates is not fully known.

Clients could also indirectly be affected by the regulation of banks and other financial services firms with which the Clients do business, from which they obtain financing or other services or to which they seek to sell interests in loan securitizations. The regulatory regimes applicable to financial services firms with which Clients do business could increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of loan securitizations, affect the collectability of loans or have other indirect effects such as mandatory creditor bail-in and resolution stays. As noted above, these regimes could also significantly regulate over-the-counter derivative trading and subject Clients to restrictions and regulations due to extraterritorial impact.

These new and expanded regulations and regulatory powers could reduce returns to investors in consumer and commercial loan portfolios as a result of, among other things, additional compliance and administrative expenses, failure to obtain full repayment on portfolio loans, administrative enforcement actions and fines by state or federal regulators and civil litigation against holders of loans and/or a reduction in the availability of appropriate loans for investment. Similarly, violations of law or regulation by the originators or servicers of consumer and commercial loans held directly or indirectly by investors could result in the originators or servicers being subject to administrative fines or penalties, borrower restitution obligations or other consequences that could negatively impact investors in such loans.

Apollo Credit Managers could participate in restructuring activities where Clients invest in distressed securities. It is possible that certain Clients will become involved in litigation with respect to creditor disputes and similar issues among classes of claimants. Litigation entails expenses and the possibility of counterclaims against such Clients including their general partners and respective Apollo Credit Managers, and ultimately, judgments could be rendered against a Client for which such Client does not carry insurance.

*Retention Rules.* In accordance with the risk retention requirements promulgated under Regulation (EU) 2017/2402 (the “EU Securitization Regulation,” and together with any supplementary regulatory technical standards, implementing technical standards, and any guidance adopted in relation thereto by the European supervisory authorities, each as in force from time to time, the “EU Securitization Laws”), an entity could elect to act as an “originator or a “sponsor” (each as defined in the EU Securitization Regulation), to comply with the EU Securitization Laws where securities issued in a securitization transaction are sold to certain types of EU investors such as credit institutions and investment firms (including consolidated affiliates thereof, wherever located), authorized alternative investment fund managers that manage and/or market alternative investment funds (“AIFs”) in the EU, insurance and reinsurance undertakings, Undertakings for Collective Investment in Transferable Securities (“UCITS”) regulated pursuant to EU Directive 2009/65/EC and the management companies thereof, and institutions for occupational retirement provision (with certain exceptions), each as set out in the EU Securitization Laws. These securities could be held in a number of prescribed forms, most typically through (i) a “vertical slice” equal to a 5% pro-rata percentage of the face value of each tranche or (ii) a “horizontal slice” equal to 5% of the fair value of all of the securities issued via the first loss or “equity” tranche. Apollo Capital Management does not expect to engage in the types of investments or activities that would make it subject it to the requirements of the EU Securitization Laws but could invest in

securitizations sponsored by others, and could participate in a standalone asset management business structured so as to be capable of holding the retention interests required by the EU Securitization Laws.

There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Apollo Capital Management and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the EU Securitization Laws. The EU Securitization Laws are subject to changes, clarifications and interpretations by governmental authorities that could have an adverse effect on Apollo Capital Management and its affiliates.

Section 941 of the Dodd-Frank Act (the “U.S. Risk Retention Rules”) requires a “sponsor” of a securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets. However, following a decision of the U.S. Court of Appeals for the District of Columbia issued on February 9, 2018 (the “DC Circuit Ruling”), collateral managers of “open-market CLOs” (described in the ruling as CLOs where assets are acquired from “arm’s-length negotiations and trading on an open market”) are no longer required to retain an interest in such “open-market CLOs” under the U.S. Risk Retention Rules. As a result of the DC Circuit Ruling, Apollo Capital Management is no longer required under the U.S. Risk Retention Rules to retain an interest in “open-market CLOs” in which it acts as collateral manager. However, Apollo Capital Management could still elect to act as the “originator” or “sponsor” (in each case, as defined in the EU Securitization Laws) for purposes of compliance with the EU Securitization Laws and for investment purposes.

The Japanese Financial Services Agency adopted a risk retention rule as part of the regulatory capital regulation of certain categories of Japanese investors seeking to invest in securitization transactions (the “JRR Rule”). The JRR Rule became effective on March 31, 2019. The JRR Rule requires such Japanese investors to apply higher risk weighting to securitization exposures they hold unless the relevant “originator” commits to hold a retention piece of at least 5% of the total underlying assets in the transaction (the “Japanese Retention Requirement”) or such investors determine that the underlying assets were not “inadequately formed.” Such Japanese investors include banks, bank holding companies, certain credit unions and cooperatives and certain other financial institutions and affiliates (such investors, “Japanese Affected Investors”). Japanese Affected Investors are subject to punitive capital requirements with respect to investments in securitizations that fail to comply with the Japanese Retention Requirement. There are a number of unresolved questions and no established line of authority, regulatory guidance, precedent or market practice that provides definitive guidance with respect to the JRR Rule. In particular, the basis for the determination of whether an asset is “inadequately formed” remains unclear, and therefore unless the Japanese Financial Services Agency further clarifies under what circumstances an asset will be “inadequately formed” for purposes of the JRR Rules, it is possible that CLOs managed by Apollo Capital Management could contain assets deemed to be “inadequately formed” and as a result could not be exempt from the Japanese Retention Requirement. Accordingly, the potential application of the Japanese Retention Requirement to CLOs managed by Apollo Capital Management could have a materially adverse effect on such CLOs and the CLO market as a whole.

The impact of the EU Securitization Laws, the U.S. Risk Retention Rules and the JRR Rule on the securitization market is also unclear and such rules (including any amendments thereto) could negatively impact the value of CLOs, securitizations and underlying assets.

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

*Non-U.S. Currency Risks.* Certain Clients make investments that are denominated in non-U.S. currency and, therefore, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies, including generally the currency in which the books of the Client are kept and currencies in which contributions and distributions generally will be made. Among the factors that could affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Client will incur costs in converting investment proceeds from one currency to another. Apollo Credit Managers could, but are under no obligation to, employ hedging techniques to minimize these risks, although there can be no assurance that such strategies will be effective. Investments in any country in which U.S. dollars are not the local currency could be affected by such changes in the value of foreign exchange between the U.S. dollar and such currency. Such changes could have an adverse effect on the value, price or income of the investment to such investors. There could also be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

*Alternative Investment Fund Managers Directive.* AIFMD provides a framework for the EU to regulate managers of AIFs that are not UCITS, but which are marketed or managed in the EU.

Since implementation, AIFMD has restricted the extent to which non-European Economic Area (“EEA”) AIFs can be marketed to potential investors in the EEA. AIFs (i) organized outside of both the EU and those of the additional EEA member states which have implemented AIFMD and (ii) in which interests are marketed under AIFMD within the EEA are subject to significant conditions on their operations. Under AIFMD, such AIFs could be marketed only in certain EEA jurisdictions and in compliance with requirements to register the AIF for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting, including, among other items, the risk and portfolio profile of each Client which is marketed in that regulator’s jurisdiction. Additional requirements and restrictions could apply where an AIF invests in an EEA portfolio, including restrictions that could impose limits on certain investment and realization strategies, such as dividend recapitalizations, distributions and reorganizations. Such rules could potentially impose significant additional costs on the operation of Apollo Capital Management’s

business or investments in the EEA and could limit Apollo Capital Management's operating flexibility within the relevant jurisdictions.

In some countries, additional obligations are imposed; for example, in Germany and Denmark, marketing of a non-EEA AIF also requires the appointment of one or more depositaries (with cost implications for the AIF). Depending on the activities of each Client, additional restrictions on investment activities could also apply if they are to be marketed to EEA investors. Accessing EEA investors could be more difficult and Client costs could increase to reflect the additional burdens. Where costs seem to be only applicable to a Client that is an AIF, all such costs are generally borne by the related parallel funds that invest alongside the AIF.

In the longer term, subject to non-EU jurisdictions being granted equivalence status under AIFMD, non-EEA Apollo Credit Managers which manage non-EEA AIFs could be permitted to voluntarily seek authorization under, and comply with, the more detailed requirements of, AIFMD.

In order to manage and market EEA AIFs more broadly for and to EEA investors, two entities have been created: (i) Apollo Investment Management Europe LLP ("AIME") was incorporated by Apollo in the UK on March 31, 2016 and obtained authorization from the UK Financial Conduct Authority (the "FCA") on October 28, 2016 to carry out activities regulated by the FCA (including managing and marketing AIFs); and (ii) Apollo Investment Management Europe (Luxembourg) S.à.r.l. ("AIME Lux") was incorporated by Apollo in Luxembourg on January 2, 2019 and received authorization from Commission de Surveillance du Secteur Financier ("CSSF") on January 9, 2019 to carry out activities regulated by the CSSF (including managing and marketing AIFs) with registration effective from January 9, 2019. AIME and AIME Lux are subject to significant regulatory requirements imposed by AIFMD, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing and rules on the structure of remuneration for certain personnel. From January 2017, parallel European fund structures have been managed by AIME and marketed by AIME's European FCA regulated affiliate, AMI, as permitted under the AIFMD. More recently, European funds have been managed by AIME Lux and marketed by it or its regulated affiliates, as permitted under AIFMD. The European fund structures are subject to additional requirements imposed by AIFMD, including investor and regulatory disclosures and reporting, requirements when investing in an EEA portfolio investment and the requirement to appoint a depositary, each as described above in relation to non-EEA AIFs in addition to further obligations specifically applicable to EEA AIFs. Client costs increase to reflect these additional burdens and, as stated above, are generally borne by all parallel funds comprising the Client.

Some changes to AIFMD are expected, others are under negotiation, and a wider review has commenced which could lead to further changes. Any or all of these could lead to increased costs and/or burdens and could limit operational flexibility within the EEA and access to EEA investors.

*Brexit.* The UK held a referendum on June 23, 2016 at which the electorate voted to leave the EU. The Agreement on the withdrawal of the UK of Great Britain and Northern Ireland from the EU and the European Atomic Energy Community (the "Withdrawal Agreement") is a treaty between the EU and the UK, which was ratified on January 29, 2020, setting the terms of the withdrawal of the UK from the EU ("Brexit"). The UK formally left the EU on January 31, 2020.

The Withdrawal Agreement provides for a "transition period" which started on January 31, 2020 and is currently scheduled to end on December 31, 2020 (subject to any mutual agreement between

the parties to extend). During the transition period, EU law will apply to the UK, save where the Withdrawal Agreement makes a contrary provision.

The uncertainty associated with Brexit and the UK's future relationship with the EU may adversely affect the return for a Client and its investments. There may be detrimental implications for the value of certain of a Client's investments, its ability to raise capital or other sources of funds, enter into transactions, to value or realize such investments or otherwise to implement its investment program.

For example, it is currently unclear whether the UK and the EU will implement a future regime for UK financial services firms that is as extensive as is currently provided in the existing passporting regimes. The ability for UK financial services firms to provide their services and market their products to clients based in the EU may become more restricted, which could adversely affect Clients and their investments.

Apollo has a number of affiliated entities which are authorized and regulated by the FCA (the "UK Regulated Entities") and which provide services to Apollo Capital Management and its Clients. As indicated above, the ability of the UK Regulated Entities to continue to provide their services across the EU may be impacted as a result of the UK's withdrawal from the EU.

*General Data Protection Regulation.* The Apollo Credit Managers and/or the Clients could be directly or indirectly subject to the requirements of the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), which came into effect in the EU in May 2018. The GDPR has direct effect in all 27 members of the EU ("EU Member States") and is mirrored in the UK under its Data Protection Act 2018 ("DPA"). The GDPR and the DPA have extraterritorial effect where non-EU and UK persons, such as the Apollo Credit Managers, the Clients or their respective service providers, process personal data in relation to the offering of goods or services to individuals in the EU/UK or the monitoring of the behavior of individuals in the EU/UK.

Both the GDPR and the DPA impose a number of obligations on data controllers and data processors, including, among others: (i) accountability and transparency requirements, which will require controllers to demonstrate and record compliance with the GDPR/DPA and to provide more detailed information to data subjects regarding processing; (ii) enhanced requirements for obtaining valid consent; (iii) obligations to consider data protection as any new products or services are developed and to limit the amount of personal data processed; (iv) obligations to comply with the new and enhanced data protection rights of data subjects; and (v) reporting of personal data breaches to the supervisory authority without undue delay (and no later than 72 hours where feasible) and, in some cases, also to affected data subjects.

The GDPR gives strong enforcement powers to data protection authorities in EU Member States and introduces significant penalties for non-compliance, with fines of up to four percent (4%) of an organizational total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach (this is mirrored in the UK for the Information Commissioner's Office). Data subjects also have a right to compensation for financial or non-financial losses (e.g., distress). There is a risk that the measures taken to comply with the GDPR/DPA will not be implemented correctly or that individuals within the business will not be fully compliant with the new procedures. If there are breaches of these measures, the Apollo Credit

Managers, the Clients and their respective affiliates (as relevant) could face significant administrative and monetary sanctions, as well as reputational damage which could have a material adverse effect on the operations, financial condition and prospects of the Clients.

Although enforcement of the GDPR is designed to be harmonized across the EU, following the Brexit transitional period it is likely that the UK's enforcement of the DPA will not be bound by EU jurisprudence. This creates a risk of divergence between the EU and the UK data protection regimes which could impact the Apollo Credit Managers' business and operations.

*Data Protection Risk.* The Clients' or the Apollo Credit Managers' processing of personal data associated with their representatives, natural person investors, service provider representatives and others, including the use of third-party processors and cloud-based services to, among other things, store and maintain personal data, imposes legal and regulatory risks. Legal requirements relating to the collection, storage, handling and transfer of personal data continue to develop. Certain activities of the Clients, the Apollo Credit Managers and/or other members of Apollo, for example, could be subject to the GDPR, the DPA, the California Consumer Privacy Act ("CCPA"), the Cayman Islands Data Protection Law ("DPL") and/or data protection laws in other countries that could take effect shortly. While the Clients, the Apollo Credit Managers and other members of Apollo intend to comply with their privacy and data protection obligations under the GDPR, the DPA, the CCPA, the DPL and other applicable laws, they could be unable to accurately anticipate the ways in which regulators and courts will apply or interpret the law. The failure of the Clients, the Apollo Credit Managers or another member of Apollo indirectly providing services to the Clients, to comply with privacy and data protection laws could result in negative publicity and could subject the Clients to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities or penalties. If privacy or data protection laws are implemented, interpreted or applied in a manner inconsistent with Apollo's expectations, business practices could change in a manner that adversely impacts the Clients. Moreover, if the Clients, the Apollo Credit Managers or other members of Apollo suffer a security breach impacting personal data, there could be obligations to notify government authorities or stakeholders, which could divert Apollo's time and effort and entail substantial expense.

*Foreign Corrupt Practices Act Considerations.* The Apollo Credit Managers are subject to a number of laws and regulations governing payments and contributions to public officials or other parties, including restrictions imposed by the U.S. Foreign Corrupt Practices Act ("FCPA") and other applicable anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, Clients could be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations could make it difficult in certain circumstances for Clients to act successfully on investment opportunities and for portfolio investments to obtain or retain business.

In recent years, the U.S. government has devoted greater resources to enforcement of the FCPA and sanctions and export control laws. A number of other countries have also expanded significantly their enforcement activities, especially in the anti-corruption area. While the Apollo Credit Managers have adopted Apollo's policies and procedures, which are designed to ensure strict compliance by the Apollo Credit Managers and their personnel with the FCPA, as well as with sanctions and export laws, such policies and procedures could not be effective to prevent

violations in all instances. In addition, in spite of Apollo's policies and procedures, portfolio investments or other entities in which a Client is invested could engage in activities that could result in FCPA violations, particularly in cases where a Client does not control such portfolio or other investment. Any determination that an Apollo Credit Manager has violated these laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Apollo Credit Managers' business prospects and/or financial position, as well as a Client's ability to achieve its investment objective and/or conduct its operations.

*Pay-to-Play Laws, Regulations and Policies.* The SEC, as well as the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board and certain U.S. states, localities and public instrumentalities, have adopted "pay-to-play" laws, regulations or policies which restrict the political activities of investment managers that seek investment from, or manage funds on behalf of, state and local government entities. Such restrictions can include limits on the ability of said managers to make political contributions to, fundraise for or provide gifts or entertainment to, certain state and local candidates, officials and political organizations, as well as obligations to make regular disclosures about such political activities to federal, state or local regulators and to use only parties that are subject to equivalent political activity restrictions in soliciting investment from state and local government entities. In addition, many pay-to-play regimes (including the SEC pay-to-play rule for investment advisers under the Advisers Act Rule 206(4)-5) impute the personal political activities of certain executives and employees, and in some instances their spouses and other immediate family members, to the manager for purposes of potential pay-to-play liability. Violation of pay-to-play laws can lead to the loss of management fees, rescission of current commitments, and a loss of future investment opportunities. Issues involving pay-to-play violations and alleged pay-to-play violations often receive substantial media coverage and can result in regulatory inquiries from federal, state or local regulators. A failure to comply with applicable pay-to-play laws, regulations or policies by the Apollo Credit Managers or a party acting on their behalf could have an adverse effect on Clients.

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

*Changes in Investment Focus.* It is possible that Clients are not restricted in terms of the percentage of their capital that can be invested in a particular industry, geographical region or type of investment. While a Client's Governing Documents generally contain a description of the types of investments that other Clients have historically made and/or information about Apollo's expectations with respect to such Client, many factors could contribute to changes in emphasis in the construction of such Client's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Client will resemble the portfolio of any prior Client.

*Lack of Liquidity of Investments.* Clients' portfolio investments generally consist primarily of debt investments, including, but not limited to, bonds, senior secured loans, unsecured loans, second lien loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. Certain Client portfolios could include other asset classes, such as alternative investments, mortgage loans and real property. The liquidity of certain portfolio investments will depend on the liquidity of the applicable market. Trading in certain investments is subject to delays as transfers could require extensive and customized documentation, the payment of significant fees and the consent of the agent bank or underlying obligor or other party. In addition, certain investments could be subject to legal or contractual restrictions or requirements that limit the Client's ability to transfer them or sell them for cash. The resulting illiquidity of these investments could make it difficult for a Client to sell such investments if the need arises. If a Client needs to sell all or a portion of its portfolio over a short period of time, it could realize significantly less value than the value at which it had previously recorded those investments. There can be no assurance that Clients will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of instruments described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

*Possible Lack of Diversification.* Each Client could concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client could be substantially affected by the unfavorable performance of a small number of such portfolio investments.

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



claim would be senior to the rights of an investor in the Client. As a result, if a Client's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

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

*Investments in Distressed Securities.* A portion of the Client's investments could also be obligations or securities that are unrated or rated below investment grade by recognized rating services such as Moody's and Standard & Poor's. Securities rated below investment grade and unrated securities generally offer a higher current yield than that available from higher grade issues but typically involve greater risk. Securities rated below investment grade and unrated securities are typically subject to adverse changes in general economic conditions, changes in the financial condition of their issuers and price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of securities rated below investment grade and unrated securities could experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, could also decrease the values and liquidity of securities rated below investment grade and unrated securities, especially in a market characterized by a low volume of trading. In addition, the secondary market for high-yield securities, which is concentrated in relatively few market makers, could not be as liquid as the secondary market for more highly rated securities. As a result, the Client could find it more difficult to sell these securities or could only be able to sell the securities at prices lower than if such securities were widely traded.

*Investments in Public Companies.* Clients could invest in public companies or take private portfolio companies public. Investments in public companies could subject Clients to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the investing Client to dispose of such securities at certain times (including due to the possession by such Client of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which could include Apollo personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

*Board Participation.* Apollo partners, principals and employees will serve as directors of some portfolio investments of Clients and, as such, would have duties to persons other than the investing Client. Although holding board positions could be important to the investing Client's investment strategy and could enhance the ability of the Client, its general partner and the relevant Apollo Credit Manager to manage investments, director seats could also have the effect of impairing the general partner's ability to sell the related securities when, and upon the terms, it could otherwise desire, and could subject the general partner, relevant Apollo Credit Manager, and investing Client to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Client will indemnify its general partner and relevant Apollo Credit Manager from such claims.

*Control Person Liability.* Clients could have controlling interests in a number of their portfolio investments. The fact that the Client or its general partner or management company exercises control or exerts influence (or merely has the ability to exercise control or exert influence) over a company could impose risks of liability (including, without limitation, under various theories of parental liability and piercing the corporate veil doctrines) for, among other things, environmental damage, product defects, employee benefits (including, without limitation, pension and other fringe benefits), failure to supervise management, violation of laws and governmental regulations (including, without limitation, securities laws, anti-trust laws, employment laws, anti-bribery (and other anti-corruption) laws) and other types of liability for which the limited liability characteristic of business ownership and the Client itself (and the limited liability structures that could be utilized by the Client in connection with its ownership of portfolio investments or otherwise) could be ignored or pierced, as if such limited liability characteristics or structures did not exist for purposes of the application of such laws, rules, regulations and court decisions. These risks of liability could arise pursuant to U.S. and non-U.S. laws, rules, regulations, court decisions or otherwise (including, without limitation, the laws, rules, regulations and court decisions that apply in jurisdictions in which portfolio investments or their subsidiaries are organized, headquartered or conduct business). Such liabilities could also arise to the extent that any such laws, rules, regulations or court decisions are interpreted or applied in a manner that imposes liability on all persons that stand to economically benefit (directly or indirectly) from ownership of portfolio investments, even if such persons do not exercise control or otherwise exert influence over such portfolio investments (e.g., investors in the Client). Lawmakers, regulators and plaintiffs have recently made (and could continue to make) claims along the lines of the foregoing, some of which have been successful. If these liabilities were to arise with respect to a Client or its portfolio investments, such Client could suffer significant losses and incur significant liabilities and obligations. The having or exercise of control or influence over a portfolio investment could expose the assets of a Client, its general partners, management company and respective affiliates to claims by such portfolio investment, its security holders and its creditors and regulatory authorities or other bodies. While Apollo Credit Managers intend to manage Clients to minimize exposure to these risks, the possibility of successful claims cannot be precluded, nor can there be any assurance to whether such laws, rules, regulations and court decisions will be expanded or otherwise applied in a manner that is adverse to a portfolio investment and the Client. Moreover, it is possible that, when evaluating a potential portfolio investment, the general partner or the management company of a Client could choose not to pursue or consummate such portfolio investment, if any of the foregoing risks could create liabilities or other obligations for any Client, its general partner, management company or any of their respective affiliates.

*Environmental Matters.* Ordinary operation or the occurrence of an accident with respect to a portfolio investment could cause major environmental damage, which could result in significant financial distress to such portfolio investment, even if covered by insurance. In addition, persons who arrange for the disposal or treatment of hazardous materials could also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by those persons. Certain environmental laws and regulations could require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost and other liabilities. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination and could impose joint and several liability (including, without limitation, amongst the Clients and the applicable portfolio investment) or liabilities or obligations that purport to extend to (and pierce any corporate veil that would otherwise protect) the ultimate beneficial owners of the owner or operator of the relevant property or operating company that stand to financially benefit from such property's or company's operations. Clients could therefore be exposed to substantial risk of loss from environmental claims arising in respect of their investments. Furthermore, changes in environmental laws or regulations or the environmental condition of an investment could create liabilities that did not exist at the time of a Client's acquisition and that could not have been foreseen. Community and environmental groups could protest about the development or operation of portfolio investment assets, which could induce government action to the detriment of Clients. New and more stringent environmental or health and safety laws, regulations and permit requirements, or stricter interpretations of current laws, regulations or requirements, could impose substantial additional costs on a portfolio investment, or could otherwise place a portfolio investment at a competitive disadvantage compared to other companies, and failure to comply with any such requirements could have an adverse effect on a portfolio investment. Even in cases where Clients are indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of Clients to achieve enforcement of such indemnities. Moreover, it is possible that, when evaluating a potential portfolio investment, the general partner or the management company of a Client could choose not to pursue or consummate such portfolio investment, if any of the foregoing risks could create liabilities or other obligations for any Client, its general partner, management company or any of their respective affiliates.

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

*Counterparty Risk.* A number of the markets in which a Client could affect its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes a Client to the risk that a counterparty will not settle a transaction in accordance with

its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Client to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events could intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. A Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement could increase the potential for losses by a Client.

*Debt Instruments Generally.* Clients will make investments in debt instruments. Debt could be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which could be secured. Moreover, such debt investments could not be protected by financial covenants or limitations upon additional indebtedness, and there is generally no minimum credit rating for such debt investments. Other factors could materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. It is likely that many of the debt instruments in which Clients invest have speculative characteristics. Generally, such securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The issuers of such instruments (including sovereign issuers) could face significant ongoing uncertainties and exposure to adverse conditions that could undermine the issuer’s ability to make timely payment of interest and repayment of principal. Such instruments are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these instruments and could have an adverse impact on the value of such instruments. It also is likely that any such economic downturn could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon and increase the incidence of default for such instruments.

*High-Yield Securities.* One or more Clients will invest in high-yield securities. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, Clients will invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities that react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and could not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and could have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn

could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

*Interest Rate Risk.* Changes in interest rates can affect the value of a Client's investments in fixed income instruments. Increases in interest rates could cause the value of a Client's investments to decline. Certain Clients could experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

*LIBOR Risk.* On July 27, 2017, the head of the FCA announced its intention to begin to cease sustaining the London Inter-Bank Offered Rate ("LIBOR") at the end of 2021. The FCA indicated its intent that, after 2021, it will no longer be necessary for the FCA to persuade or compel banks to submit to LIBOR due to the development of alternative benchmark rates, which the FCA suggested should be based on transactions and not on reference rates that do not have active underlying markets to support them. As of the date of this Brochure, no specific alternative rates have been generally agreed upon in the loan market or the CLO market, though the Alternative Reference Rates Committee has issued suggestions.

If LIBOR in its current form does not survive, it could cause a disruption in the credit markets generally. Such a disruption could negatively impact the market value and liquidity of assets held by and interests issued by Apollo Capital Management Clients and could have an adverse impact on Apollo Capital Management's ability to obtain financing and the terms of any financing obtained on behalf of Clients.

Actions by regulatory authorities, financial institutions or others to phase out, modify or eliminate LIBOR or to propose or require transition to a particular alternative benchmark in a certain manner upon the occurrence of one or more future events could cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such change, (ii) an increase in the portion of assets held by Apollo Capital Management or its Clients that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate (which could result in decreased interest payable with respect thereto), or (iii) increased pricing volatility with respect to and liquidity of such assets.

It is uncertain whether broad replacement conventions will develop or be required by relevant regulators and, if conventions develop, what those conventions will be, whether they will be similar to each other and whether they (or any of them) will create adverse consequences for Clients. If no such conventions develop or if changes in the relevant benchmark rate with respect to an asset or a financing are dependent upon mutually agreed amendments thereto by the parties, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets or timing with respect to such amendments will have on (i) the price and liquidity of credit assets or on mismatches between the assets and related financings; or (ii) the ability of an obligor or of a Client, as applicable, to obtain new financing when necessary to pay or refinance any existing debts. While a borrower (whether a Client with respect to a financing or a counterparty to an asset held by a Client) could enter into an amendment with relevant lenders for the relevant debt to bear interest based on an alternative reference rate instead of LIBOR (or be permitted to designate an alternative reference rate with respect thereto) or agree for a future hardwired amendment to

provide for an alternative reference rate instead of LIBOR upon the occurrence of certain events, there can be no assurance that any such amendment or designation (a) will occur, (b) will effectively mitigate interest rate risks (including mismatches between the methodology and/or timing for determining alternative reference rates as between its assets and a financing), (c) will occur into prior to any date on which a borrower suffers adverse consequences from the phase out, elimination or modification or potential phase out, elimination or modification of LIBOR, or (d) will not have a material adverse effect on Clients.

*Investments in Equity Securities Generally.* One or more Clients are expected to hold investments in equity securities and equity security-related derivatives. Investments in equity securities of small or medium-sized market capitalization companies will have more limited marketability than the securities of larger companies. In addition, securities of smaller companies could have greater price volatility. For example, investment in equity securities could arise in connection with a Client's debt investment opportunities and could be accompanied by "equity-kickers" or warrants, as well as in the form of equity investments in Platform Investments, to the extent that any such Platform Investment is allocated to Clients and not Apollo in accordance with Apollo's policies and procedures. An Apollo Credit Manager could choose to cause a Client to short the equity of an issuer when another technique is not available, most notably a bond or some other derivative. In addition, a Client could be forced to accept equity in certain circumstances. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Client could suffer losses if it invests in equity instruments of issuers whose performance diverges from the Apollo Credit Manager's expectations or if equity markets generally move in a single direction and a Client has not hedged against such a general move. A Client also could be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of private placements, registering restricted securities for public resale. In addition, equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. Holders of equity securities could be wiped out or substantially reduced in value in a bankruptcy proceeding or corporate restructuring.

*Investments in Bank Loans and Participations.* One or more Clients will invest in bank loans and participations. The special risks associated with investing in these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that could arise with respect to collateral securing the obligations; (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; (iv) limitations on the ability of a Client or the Apollo Credit Manager to directly enforce any of their respective rights with respect to participations; and (v) generation of income that is subject to U.S. federal income taxation as income effectively connected with a U.S. trade or business. The Apollo Credit Manager will attempt to balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, could be borne by a Client. Bank loans generally are transferable among financial institutions and other entities. However, they do not presently have the liquidity of conventional debt securities and are often subject to restrictions on resale. For example, third party approval is often required for the assignment of interests in bank loans. Due to the illiquidity of bank loans, an Apollo Credit Manager could not be able to dispose of a Client's investments in

bank loans in a timely fashion and at a fair price, which could adversely affect the performance of such Client. With respect to bank loans acquired as participations by a Client, because the holder of a participation generally has no contractual relationship with a borrower, such Client will have to rely upon a third party to pursue appropriate remedies against a borrower in the event of a default. As a result, such Client could be subject to delays, expenses and risks that are greater than those that would be involved if it could enforce its rights directly against a borrower or through the agent. Bank loans acquired as participations also involve the risk that the Client could be regarded as a creditor of a third party rather than a creditor of the borrower. In such a case, the Client would be subject to the risk that a selling participant could become insolvent. A borrower of a bank loan, in some cases, could prepay the bank loan. Prepayments could adversely affect a Client's interest income to the extent that the Apollo Credit Manager is unable to reinvest promptly payments in bank loans or if such prepayments were made during a period of declining interest rates.

*Non-Performing Nature of Loans.* The investment portfolio of Clients will include loans, which could be non-performing and possibly in default. Furthermore, the obligor and/or relevant guarantor could also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to such loans. Although the Apollo Credit Manager will attempt to manage these risks, there can be no assurance that these investments will increase in value or that a Client will not incur significant losses.

*Senior Loans Risk.* Senior secured loans are usually rated below investment grade or could also be unrated. As a result, the risks associated with senior secured loans are similar to the risks of below investment grade fixed income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to a Client, and such defaults could have a material adverse effect on a Client's performance. An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan could lose significant market value before a default occurs. Moreover, any specific collateral used to secure a senior secured loan could decline in value or become illiquid, which would adversely affect the senior secured loan's value. Senior secured loans are subject to other risks, including liquidity risk and the risk of investing in below investment grade fixed income instruments. In general, the secondary trading market for senior secured loans is not well developed. No active trading market could exist for certain senior secured loans, which could make it difficult to value them. Illiquidity and adverse market conditions could mean that an Apollo Credit Manager could not be able to sell a Client's senior secured loans quickly or at a fair price. To the extent that a secondary market does exist for certain senior secured loans, the market for them could be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

*Subordinated Loans or Securities.* Certain of a Client's investments will consist of loans or securities, or interests in pools of securities that are subordinated or could be subordinated in right of payment and ranked junior to other securities issued by, or loans made to obligors, subject to a Client's Governing Documents. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to a Client. Some of a Client's asset-

backed investments could also have structural features that divert payments of interest and/or principal to more senior classes of loans or securities backed by the same assets when loss rates or delinquency exceeds certain levels. This could interrupt the income a Client receives from its investments, which could lead to such Client having less income to distribute to investors. In addition, many of the obligors are highly leveraged and many of a Client's investments will be in securities which are unrated or rated below investment grade. Such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor could not be able to meet its debt payments and limited secondary market support, among other risks.

*Adjustments to Terms of Investments.* The terms and conditions of the loan agreements and related assignments could be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a supermajority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from loan agreements could be modified, amended or waived in a manner contrary to the preferences of the Apollo Credit Manager on behalf of a Client, if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that any obligations arising from a loan agreement will maintain the terms and conditions to which a Client originally agreed. Because a Client could invest through participation interests and derivative securities it is possible that a Client could not be entitled to vote on any such adjustment of terms of such agreements. The exercise of remedies could also be subject to the vote of a specified percentage of the lenders thereunder. The Apollo Credit Manager will have the authority to cause a Client to consent to certain amendments, waivers or modifications to the investments requested by obligors or the lead agents for loan syndication agreements. The Apollo Credit Manager could, in accordance with its investment management standards, cause a Client to extend or defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. The Apollo Credit Manager will make such determinations in accordance with its investment management standards. Any amendment, waiver or modification of an investment could adversely impact a Client's investment returns.

*Loans to Private Companies.* Loans to private and middle-market companies involve risks that could not exist in the case of large, more established and/or publicly traded companies, including, without limitation:

- these companies could have limited financial resources and limited access to additional financing, which could increase the risk of their defaulting on their obligations, leaving creditors, such as a Client, dependent on any guarantees or collateral that they could have obtained;
- these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render such companies more vulnerable to competition and market conditions, as well as general economic downturns;
- there will not be as much information publicly available about these companies as would be available for public companies and such information could not be of the same quality;



- these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations;
- these companies generally have less predictable operating results, could from time to time be parties to litigation, could be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and could require substantial additional capital to support their operations, finance their expansion or maintain their competitive position; and
- these companies could have difficulty accessing the capital markets to meet future capital needs, which could limit their ability to grow or to repay their outstanding indebtedness upon maturity.

*Loan Origination.* Subject to the Governing Documents of a Client, as well as other considerations, such as tax, some Clients originate loans, including, but not limited to, secured and unsecured notes, senior and second lien loans, mezzanine loans and other similar investments. A Client could subsequently offer such investments for sale to third parties, which could include other Clients; provided that there is no assurance that the Client will complete the sale of such an investment. Further, the decision by any Client to accept or reject the offer could be made by a party independent of the Apollo Credit Manager, such as independent directors of such Client or an advisory or credit committee composed of individuals who are not affiliated with Apollo. In determining the target amount to allocate to such an investment, an Apollo Credit Manager could take into consideration the fact that it could sell, assign or offer participations in such investment to the third parties described above. If the Client is unable to sell, assign or successfully close transactions for the loans that it originates, the Client will be forced to hold its interest in such loans for an indeterminate period of time. This could result in the Client's investments being over-concentrated in certain borrowers.

*Investments in Structured Products.* Some Clients invest in securities backed by, or representing interests in, certain underlying instruments ("structured products"). The cash flow on the underlying instruments could be apportioned among the structured products to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to the structured products is dependent on the extent of the cash flow on the underlying instruments. Some Clients could invest in structured products that represent derived investment positions based on relationships among different markets or asset classes. The performance of a structured product will be affected by a variety of factors, including its priority in the capital structure of the issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. The risks associated with structured products involve the risks of loss of principal due to market movement. In addition, investments in structured products could be illiquid in nature, with no readily available secondary market. Because they are linked to their underlying markets or securities, investments in structured products generally are subject to greater volatility than an investment directly in the underlying

market or security. Total return on a structured product is derived by linking the return to one or more characteristics of the underlying instrument. Because certain structured products of the type in which a Client could invest could involve no credit enhancement, the credit risk of those structured products generally would be equivalent to that of the underlying instruments. A Client could invest in a class of structured products that is either subordinated or unsubordinated to the right of payment of another class. Subordinated structured products typically have higher yields and present greater risks than unsubordinated structured products.

*Lower Credit Quality Securities.* Clients generally do have restrictions on the credit quality of investments. Securities in which a Client could invest could be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities could be unrated. Lower-rated and unrated securities in which a Client could invest have large uncertainties or major risk exposures to adverse conditions, and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these securities (such as subordinated securities) also tend to be more sensitive to changes in economic conditions than higher rated securities. Declining real estate values, in particular, will increase the risk of loss upon default, and could lead to a downgrading of the securities by rating agencies. The value of such securities could also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies. In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings could be used by the Apollo Credit Manager as initial criteria for the selection of portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency could not change its rating of a particular issue on a timely basis to reflect subsequent events.

*Participation Interests.* Clients could purchase participation interests in debt instruments which do not entitle the holder thereof to direct rights against the obligor. Participations held in a seller's portion of a debt instrument typically result in a contractual relationship only with such seller, not with the obligor. A Client has the right to receive payments of principal, interest and any fees to which it is entitled only from the seller and only upon receipt by such seller of such payments from the obligor. In connection with purchasing participations, a Client generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor and the Apollo Credit Fund could not directly benefit from the collateral supporting the debt instrument in which it has purchased the participation. As a result, a Client will assume the credit risk of both the obligor and the seller selling the participation. In the event of the insolvency of such seller, a Client could be treated as a general creditor of such seller, and could not benefit from any set-off between such seller and the obligor. When a Client holds a participation in a debt instrument it could not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if a Client does not vote as requested by the seller, it could be subject to repurchase of the participation at par. Sellers voting in connection with a potential waiver of a restrictive covenant could have interests different from those of a Client, and such selling institutions could not consider the interests of a Client in connection with their votes.

*Investments in Convertible Securities.* Convertible securities are bonds, debentures, notes, preferred stocks or other securities that could be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors could also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security could be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Client is called for redemption, such Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

*Lender Liability and Equitable Subordination.* In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed, “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Depending on the nature of certain investments, a Client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower,

a court could elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Clients do not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine. However, because of the nature of certain of a Client’s investments, a Client could be subject to claims from creditors of an obligor that debt obligations of which are held by it should be equitably subordinated. The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to investments outside the U.S., the laws of certain non-U.S. jurisdictions could also impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that could or could not be analogous to those described above under U.S. federal and state laws.

*Reliance on Corporate Management and Financial Reporting.* Many of the strategies implemented by the Clients rely on the financial information made available by the issuers in which a Client invests. The Apollo Credit Manager has no ability to independently verify the financial information disseminated by the issuer in which a Client invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general.

*Non-U.S. Investments Generally.* A Client, subject to its Governing Documents, will be permitted to make investments in countries outside of the U.S., some of which could prove to be unstable. Non-U.S. investments involve certain risks not typically associated with investing in the U.S., including risks relating to: (i) currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Apollo Credit Fund’s non-U.S. investments could be denominated and costs associated with the conversion of investment principal and income from one currency into another; (ii) the imposition or modification of foreign exchange controls; (iii) the unpredictability of international trade patterns; (iv) differences between U.S. and non-U.S. markets, including potential price volatility in, and relative illiquidity of, some non-U.S. markets; (v) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation across some countries; (vi) certain economic, social and political risks, including restrictions on non-U.S. investment and repatriation of capital, the risks of economic, social and political instability (including the risk of war, terrorism, social unrest or conflicts) and the possibility of nationalization, confiscatory taxation or expropriation of assets; (vii) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such non-U.S. investments; (viii) different bankruptcy laws and customs; and (ix) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors. In addition, laws and regulations of non-U.S. countries could impose restrictions that would not exist in the U.S. and could require financing and structuring alternatives that differ significantly from those customarily used in the U.S. The Apollo Credit Manager will analyze risks in the applicable non-U.S. countries before making such investments, but no assurance can be given that a change in political or economic climate, a lack of reliable and less detailed information than information typically available from U.S. investments or particular legal or regulatory risks could not adversely affect an investment.

*Portfolio Investment Ratings.* Investments in the debt of companies include commercial loans, high-yield corporate or other debt obligations of both U.S. and non-U.S. obligors rated below

investment grade and other investment instruments as described in Item 4 of this Brochure, which have greater credit and liquidity risk than more highly-rated obligations.

Downgrades and negative rating actions could occur with respect to the investments, and in such cases, there is no requirement to sell any such investment. Investments with lower ratings will have greater credit, insolvency and liquidity risk than more highly-rated obligations, and therefore, a greater risk of loss. In addition to credit and liquidity risk, lower-rated obligations have greater volatility than more highly-rated obligations. Future periods of uncertainty in the U.S. economy could increase volatility and default rates.

*Use of Expert Networks and Data Analytics.* In connection with the evaluation of potential investment opportunities, the Apollo Credit Managers could engage expert networks and/or make use of data analytics, including data provided by third-party vendors. Apollo seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented policies and procedures to mitigate the risk that the use of expert networks or data analytics could result in the receipt of confidential information by investment professionals. However, because Apollo's business operates on an integrated platform without ethical screens or information barriers, if such controls fail and an investment professional obtains material non-public information, the Apollo Credit Managers could be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients.

*Systems Risk and Cybersecurity.* Investment advisers, including Apollo Capital Management and other Apollo Credit Managers, rely extensively on computer programs and systems (and could rely on new systems and technology in the future) for various purposes, including trading, clearing and settling transactions, evaluating certain investments, monitoring their portfolio and net capital and generating risk management and other reports that are critical to oversight of a Client's activities. Certain of the Clients' and the Apollo Credit Managers' operations will be dependent upon systems operated by third parties, including prime-brokers, administrators, market counterparties and their sub-custodians and other service providers, though the Apollo Credit Managers could perform certain of these functions internally in reliance on their own systems (the cost of which could be borne by Clients). The Clients' service providers could also depend on information technology systems that could or could not be controlled by them, and notwithstanding the diligence that the Client could perform on its service providers, the Client could not be in a position to verify the risks or reliability of such information technology systems.

Clients, the Apollo Credit Managers, their affiliates and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems could cause

losses to Clients and/or investors in Clients, without limitation, by interfering with the processing of transactions, affecting a Client's or an Apollo Credit Manager's ability to conduct valuations or impeding or sabotaging trading. Clients could also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose Clients or the Apollo Credit Managers (which in turn could be indemnified by Clients) to civil liability, as well as regulatory inquiry and/or action. Limited partners could also be exposed to losses resulting from unauthorized use of their personal information. Similar types of cybersecurity risks also are present for portfolio investments, which could affect their business and financial performance, resulting in material adverse consequences for such issuers and causing a Client's investment in such portfolio investments to lose value.

*Tax Changes, Uncertainties and Risks.* On December 22, 2017, Congress enacted Public Law Number 115-97, formerly known as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA significantly amends the U.S. federal tax code and includes, among other things, (a) a reduction in the corporate income tax rate to 21% and the reduction of tax rates for certain business income earned through partnerships; (b) a new limitation on interest deductibility by corporations; (c) the immediate expensing of certain capital expenses for nine years; and (d) the migration from a worldwide system of taxation to a modified territorial system. These and other provisions are generally effective for taxable years beginning after December 31, 2017, and certain provisions are further subject to sunset.

To date, the IRS has issued several notices along with some final regulations and numerous proposed regulations with respect to certain provisions of the TCJA, however, there remains limited binding guidance for significant provisions. There are numerous interpretive issues and ambiguities that will require guidance and are not clearly addressed in the conference report that accompanied the TCJA or guidance produced by the IRS to date. Technical corrections legislation will likely be needed to clarify certain of the new provisions and give proper effect to congressional intent. There can be no assurance, however, that technical clarifications or other legislative changes that could be needed to prevent unintended or unforeseen adverse tax consequences will be enacted by Congress. Although it is expected that the reduction in the corporate tax rate from 35% to 21%, the immediate expensing of certain expenditures and certain other changes introduced by the TCJA will be beneficial to certain Clients, other changes introduced by the TCJA could have an adverse effect. In particular, the new provisions addressing interest deductibility could limit the amount of interest expense that is deductible for U.S. federal income tax purposes by certain Clients and thus increase taxes paid by such Clients. In addition, introduction of the new "base erosion and anti-abuse tax" or "BEAT," which imposes a minimum tax on certain entities that make significant deductible payments to related foreign entities, could result in a material additional tax burden for certain Clients, which could reduce cash flow and make Clients' investments less valuable over time.

Under amendments to U.S. tax law pursuant to the TCJA, capital gain in respect of a general partner's distributions of performance fees from certain of our Clients will be treated as short-term capital gain unless the Client holds the relevant investment for more than three years, as opposed to the general rule that capital gain from the disposition of investments held for more than one year

is treated as long-term capital gain. Similar rules introduced in the UK applying to certain UK based staff, tax as ordinary income returns from certain funds that have a weighted average holding period of fewer than 40 months (with transitional rules applying between 36-40 months). As a consequence, conflicts of interest may arise in connection with a general partner's investment decisions, including regarding the identification, making, management, disposition and, in each case, timing of a Client's investments, and Apollo may not realize the most tax efficient treatment of our performance fees in all of our Clients going forward. Certain states, including New York and California, have proposed legislation to levy additional state tax on carried interest, and additional U.S. federal proposals to tax carried interest at higher rates are also made in Congress from time to time, any of which may also negatively affect Apollo's ability to attract and retain employees and key personnel.

Various proposals originating outside the U.S. could also impact Clients. For example, the Organization for Economic Cooperation and Development ("OECD") is focused on issues relating to cross-border structures and ownership. One example is in the area of "base erosion and profit shifting" ("BEPS"), which includes situations (among others) where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. In 2013, the OECD published its report and its Action Plan on BEPS. The aim of the report and Action Plan was to address and reduce aggressive international tax planning. BEPS remains an ongoing project. On October 5, 2015, the OECD published its final reports, analyses and sets of recommendations (deliverables) with a view to implementing internationally agreed and binding rules which are resulting in material changes to relevant tax legislation of participating OECD countries. The final package of deliverables was subsequently approved by the G20 Finance Ministers on October 8, 2015. The final actions to be implemented in the tax legislation of the countries in which Clients will have investments, in the countries where Clients or investors are domiciled or resident, or changes in tax treaties negotiated by these countries, could adversely affect the returns of Clients. One of the BEPS action points (Action 6) is to prevent treaty abuse by developing model treaty provisions to prevent the granting of treaty benefits in inappropriate circumstances. As a minimum standard, the OECD proposes that participating countries should include in their treaties one or both of a "limitation on benefits" provision and a "principal purpose test" which could limit or deny treaty relief in certain circumstances. On November 24, 2016, the OECD published the text of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (the "MLI"), which is intended to expedite the interaction of the tax treaty changes of the BEPS project. On June 6, 2017, 67 signatories covering 68 jurisdictions signed the MLI, and an additional nine jurisdictions expressed their intent to sign the MLI.

As of December 4, 2018, 17 other countries have signed the MLI. The MLI went into effect on July 1, 2018 with the intention to override and complement certain provisions in existing bilateral tax treaties. The MLI could not have immediate effect but, rather, when it applies will depend on a number of factors, including further steps required to ratify changes to treaties according to the local law of the signatory countries. As of February 2020, 94 countries have signed the MLI but only 43 have ratified it. Therefore, there is uncertainty as to how the majority of the signatories will apply the MLI and from when. Luxembourg recently ratified the MLI, but there are some important countries that have not yet signed, including the U.S. and Brazil. As a result, significant uncertainty remains around the access to tax treaties for Clients' investments' holding patterns, which could create situations of double taxation and adversely impact such Clients' investment

returns. As a result of this or similar initiatives, tax laws applicable to Clients could change on a prospective or retroactive basis and any such changes could materially adversely affect Clients.

The EU has taken further steps towards tax transparency with the sixth version of the EU Directive on administration and cooperation (“DAC6”). These rules (also known as the EU Mandatory Disclosure Rules) may require taxpayers and their advisers to report on cross-border arrangements with an EU component that bear one of the proscribed hallmarks. The hallmarks as drafted are understood to be significantly broad such that a large volume of transactions within the financial services context will need to be disclosed. The first such reports are due to be filed by August 2020 for arrangements from June 25, 2018 with a rolling 30-day reporting window for arrangements after July 1, 2020. There is significant uncertainty regarding how the provisions of DAC6 will be applied and interpreted and failure to comply can result in fines and penalties. DAC6 may expose Apollo’s investment activities to increased scrutiny from European tax authorities. Furthermore, many tax authorities are unfamiliar with asset management businesses and dealing with challenges from tax authorities reviewing such information may also place additional administrative burden on Apollo’s management team or portfolio investment management and ultimately could lead to increased cost which could adversely affect profitability.

*Taxation on Carried Interest.* Under amendments to U.S. tax law pursuant to the TCJA, capital gain in respect of a general partner’s distributions of performance fees from certain Clients will be treated as short-term capital gain unless the Client holds the relevant investment for more than three years, as opposed to the general rule that capital gain from the disposition of investments held for more than one year is treated as long-term capital gain. Similar rules introduced in the UK applying to certain UK based staff, tax as ordinary income returns from certain funds that have a weighted average holding period of fewer than 40 months (with transitional rules applying between 36-40 months). As a consequence, conflicts of interest may arise in connection with a general partner’s investment decisions, including regarding the identification, making, management, disposition and, in each case, timing of a Client’s investments, and Apollo may not realize the most tax efficient treatment of our performance fees in all of our Clients going forward. Certain states, including New York and California, have proposed legislation to levy additional state tax on carried interest and additional U.S. federal proposals to tax carried interest at higher rates are also made in Congress from time to time, any of which may also negatively affect Apollo’s ability to attract and retain employees and key personnel.

*Liability for Adjusted Tax Returns.* The Bipartisan Budget Act of 2015 introduced a new partnership audit regime generally applicable to partnership returns filed for tax years beginning after December 31, 2017 (the “BBA Rules”). Under this regime, unless a Client makes the election described below, the Client itself will generally be responsible for paying any “imputed underpayment” of tax resulting from audit adjustments (including interest and penalties) in the tax year during which the audit is finalized (the “adjustment year”). In this case, partners of the relevant Client in the adjustment year, rather than the persons that were partners during the relevant Client’s tax year under audit (the “reviewed year”), would bear the cost of the audit adjustment. In general, under this regime, taxes imposed on the relevant Client would be assessed at the highest rate of tax applicable for the reviewed year and determined without regard to the character of the income or gain, partners’ status or the benefit of partner-level tax attributes (that could otherwise reduce tax due). However, the applicable Client could be able to reduce the underpayment of taxes



owed by such Client, to the extent that such Client demonstrates such taxes are allocable to a limited partner that would not owe any tax by reason of its status as a “tax-exempt entity.”

A Client could under certain circumstances have the ability to avoid the entity-level tax assessment or collection (described above), by electing to issue adjusted Schedules K-1 to persons that were partners during the reviewed year. If the relevant Client makes the election, such partners would be responsible for paying any taxes associated with the audit adjustments in the adjustment year (including interest and penalties). In such case, the partners of the reviewed year would also incur a two-percentage point increase on the interest rate that would otherwise have been imposed on any underpayment of taxes (unless such partner is a pass-through entity and makes a valid election to “push out” its share of the adjustments to its partners, members or owners). If a relevant Client makes an election with respect to partners or former partners whose allocable shares of adjustments would have been subject to U.S. federal withholding, such partners or former partners could be required to file a U.S. federal income tax return and pay their allocable shares of interest, penalties and additions to tax even though the relevant Client is required to pay the withholding tax. Apollo generally has discretion whether or not to make this election for each Client. An Apollo general partner or the person such general partner appoints will be the “partnership representative” for purposes of the BBA Rules and will have broad authority to represent a Client in respect of tax audits for applicable years, including the authority to make the election described above.

## **ITEM 9**

### **Disciplinary Information**

Except as described below, there are no legal or disciplinary events required to be disclosed pursuant to this Item 9.

On August 23, 2016, without admitting or denying any wrongdoing, certain related persons of Apollo Capital Management, namely Apollo Management V, L.P., Apollo Management VI, L.P., Apollo Management VII, L.P. and Apollo Commodities Management, L.P., consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Section 206(2) and 206(4) of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rules 206(4)-7 and 206(4)-8 thereunder. According to the SEC order, such related persons did not provide sufficient pre-commitment disclosure regarding the possibility of accelerating otherwise authorized fees upon termination of management consulting agreements with their portfolio companies, a related person did not adequately disclose that interest from a loan from a private equity fund to its general partner would be allocated to the general partner, such related persons did not adequately supervise a former senior partner’s expense reimbursement practices and such related persons failed to adopt and implement policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules. As part of the settlement, such related persons agreed to pay \$37,527,000 of disgorgement and \$2,727,552 of prejudgment interest to limited partners of its fund and a civil monetary penalty of \$12,500,000 to the SEC.

## **ITEM 10**

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

#### **Affiliated Apollo Managers**

**1. Private Equity** – Apollo Management, L.P. is an affiliate of Apollo Capital Management that is primarily engaged in managing Apollo’s private equity, hybrid value and infrastructure businesses and controls the managers to its advisory clients that fall within Apollo’s private equity segment (including the hybrid value business and the infrastructure portion of Apollo’s real assets business segment) (collectively, with Apollo Management, L.P., the “Apollo Private Equity Managers”). The Apollo Private Equity Managers seek to make investments through several strategies including traditional buyouts, distressed buyouts, corporate partner buyouts, debt or other investments providing equity-like returns across the capital structure of companies, infrastructure and infrastructure-related assets and also capitalize on private equity investment opportunities in the natural resources industry, principally in the metals and mining, energy and select other natural resources sectors. In addition to the traditional, distressed and corporate partner buyout activities, the Apollo Private Equity Managers also maintain the flexibility to deploy capital of the private equity funds managed by Apollo in other types of investments such as the creation of new companies.

**2. Real Estate** – Apollo Global Real Estate Management, L.P. is an affiliate of Apollo Capital Management that is primarily engaged in managing a portion of Apollo’s real assets business and is affiliated with the managers to its real estate and principal finance advisory clients that fall within Apollo’s real assets business segment (collectively, with Apollo Global Real Estate Management, L.P., the “Apollo Real Estate Managers”). The Apollo Real Estate Managers take a broad view of markets and property types in targeting (i) real estate debt investment opportunities, including first mortgage and mezzanine loans, preferred equity and commercial mortgage-backed securities; (ii) real estate equity investment opportunities, including the acquisition and recapitalization of real estate assets, portfolios, platforms and operating companies; (iii) European performing and non-performing loans, as well as other impaired or illiquid asset portfolios and related investments, which arise through the acquisition, management and resolution of non-performing, illiquid and impaired asset portfolios; and (iv) commercial real estate properties and portfolios of properties with favorable long-term triple net leases and high credit quality tenants across a variety of industries.

The Apollo Managers intend to conduct their activities in accordance with the Advisers Act and the rules thereunder. Any employees of the Apollo Managers and any other persons acting on their behalf are and will be subject to the supervision and control of Apollo Capital Management, Apollo Management, L.P. or Apollo Global Real Estate Management, L.P., as applicable.

#### **Apollo Global Securities, LLC and Apollo Global Funding, LLC**

AGS, a Delaware limited liability company and SEC registered broker-dealer affiliated with the Apollo Credit Managers, is registered to perform the following services: (i) underwriting of securities on a referral basis; (ii) the resale of corporate debt or equity securities under Rule 144A under the Securities Act on a referral basis; (iii) transaction advisory services; (iv) marketing of private funds; (v) conducting private placements; (vi) trading securities for its own account; (vii)

selling corporate debt securities on a referral basis; (viii) arranging for transactions in listed securities on a referral basis; and (ix) selling interests in mortgages, receivables or other asset-backed securities on a referral basis. Apollo Global Funding, LLC (“AGF”) is a subsidiary of Apollo and an affiliate of AGS and provides a variety of services with respect to loan instruments, including loans, that are not subject to broker-dealer regulations, such as arranging, structuring and syndicating loans and advisory services with respect to loans and other similar services. AGS and AGF are expected to, from time to time, expand the services that they perform and the activities in which they engage. While the scope of services provided by AGS and AGF could, in some circumstances, overlap with the investment management services that the Apollo Credit Managers customarily provide to Clients, the services provided by AGS and AGF are usually separate and distinct from investment management services for which the Apollo Credit Managers receive Management Fees. The scope of services for which AGS and AGF receive fees, which include, for example, origination, sourcing, syndication, arranger, placement, structuring, collateral management and debt advisory, are usually performed by personnel for or on behalf of AGS or AGF (which personnel could also provide services for the Apollo Credit Managers), and the fees earned by AGS or AGF for such services are borne by Clients or their portfolio investments, subject to the terms of the relevant Clients’ Governing Documents. Subject to the Clients’ Governing Documents, engagements by Clients or their existing or potential portfolio investments of AGS or AGF on terms that are not materially less favorable than the terms that could be obtained from an unaffiliated third party do not require approval from such Clients’ advisory boards or investors.

AGS’ private placement services include syndicating transactions for existing and potential portfolio investments and placement of certain Clients and syndicating transactions for portfolio investments. AGS’ underwriting services include syndicating transactions for existing and potential portfolio investments of Clients. Generally, AGS’ role in a syndication is that of a co-manager and not as lead underwriter, but it does serve in such capacity from time to time. The fact that AGS receives fees in connection with these services is disclosed in the applicable Client’s Governing Documents. For investment opportunities involving corporate loans, or similar instruments, AGF could be engaged by either the participating Clients or the corporate borrower, and arrangements are generally made for AGF to receive its fees directly from the corporate borrower for services rendered; however, it is possible that the corporate borrower is not paid or reimbursed for its expenses, in which case such expenses will be borne by the Clients as an Operating Expense.

Fees that are received by AGS in connection with its provision of merger and acquisition transaction advisory services to Clients’ portfolio investments are, subject to a Client’s Governing Documents, treated as Special Fees and applied to reduce Management Fees of management fee-paying investors in Clients. Subject to a Client’s Governing Documents, fees received by AGS or AGF in connection with the provision of private placement, underwriting, arranging, structuring, broker-dealer (including facilitating initial resales of debt or equity securities under Rule 144A under the Securities Act), syndication, origination, sourcing, collateral management, administration, debt advisory, commitment, facility, float or other fees are not treated as Special Fees and not applied to reduce Management Fees of management fee-paying investors in Clients.

The relationship between the Apollo Credit Managers and their affiliates, on the one hand, and AGS or AGF, as applicable, on the other hand, gives rise to conflicts of interest between the Apollo

Credit Managers and (i) Clients with respect to whom AGS or AGF, as applicable, provides services and (ii) Clients who have an interest in any existing or potential portfolio company or investment vehicle to which AGS or AGF, as applicable, provides services. To the extent AGS or AGF is engaged by a corporate issuer or corporate borrower, as applicable, and one or more Clients expects to, or does, participate in the investment opportunity, the Apollo Credit Managers will face actual or apparent conflicts of interest, in particular, if AGS or AGF, as applicable, is engaged by a third party. These conflicts could also arise with respect to portfolio investments of Clients, including portfolio investments controlled by Clients, which could give Apollo Credit Managers an opportunity to retain AGS or AGF and for AGS or AGF to earn fees for such engagements. In addition, many supervised persons who provide portfolio management services to Clients on behalf of the Apollo Credit Managers also are involved in the business and operations of AGS and/or AGF. Such supervised persons could face conflicts of interest in dedicating time and resources to Clients. The Apollo Credit Managers address this conflict of interest by providing in Apollo's Code of Ethics, as described in Item 11, that all supervised persons have a duty to act in the best interests of each Client and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures.

Furthermore, while AGS' and AGF's services are primarily provided as described above (e.g., to Apollo, its Clients and its Clients' existing and potential portfolio investments), AGS provides services (including financing, capital market and advisory services) to third parties. Such third parties could include competitors of the Apollo Credit Managers or one or more of their affiliates or any portfolio investments. AGS' and AGF's services to third parties in this manner present additional conflicts of interest. For example, AGS or AGF could also act as placement agent or underwriter of securities for a third party that could be acquired by the Client. AGS or AGF also could come into possession of information that AGS or AGF is prohibited from acting on (including on behalf of a Client) or disclosing to the Apollo Credit Managers or any of their affiliates as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interest of a Client or portfolio investment. Further, conflicts of interest will arise in connection with AGS' or AGF's provision of services to, or in respect of, a Client or an existing or potential portfolio investment on account of, among other things, (i) Apollo, together with AGS or AGF, viewing the relevant Client or potential or existing portfolio investment as a source of revenue (which would in most instances not result in a reduction of Management Fees since the fees associated with such services will not be treated as Special Fees), (ii) the presentation and approval of potential investments that result in incremental revenue to AGS or AGF, (iii) internal compensation arrangements with respect to such revenue and (iv) the initial allocation to one or more participating Clients in a given investment to reflect an anticipated syndication of a portion of such investment to third parties, and the potential that such syndication efforts could not be successful. To the extent necessary to take into account regulatory, tax or other similar considerations, the service provider used to provide the aforementioned types of services could be other affiliates of the Apollo Credit Managers, including AMI.

### **Apollo Management International LLP**

AMI is an FCA authorized and regulated UK limited liability partnership ultimately controlled by AGM. AMI acts primarily as a sub-adviser to Apollo Funds with a European mandate across its credit, private equity and real assets business segments. These funds include those with which it has sub-advisory arrangements with the respective Apollo Managers. The extent of the advisory

work conducted for each of the Apollo Funds varies according to each respective sub-advisory arrangement. In addition, AMI has entered into direct advisory relationships (which could include discretionary and non-discretionary mandates) with certain portfolio investments, other third-party clients or with certain clients that constitute European-centric CLOs where AMI acts as collateral manager.

### **Apollo Asset Management Europe LLP and Apollo Asset Management Europe PC LLP**

Apollo Asset Management Europe LLP and its subsidiary Apollo Asset Management Europe PC LLP (together, “AAME”), domiciled in the UK, are subsidiaries of Apollo whose primary purpose is to provide a centralized asset management, advisory and risk function (“Client Services”) to European investors in the financial services and insurance sectors that are owned by Apollo Funds, or other platforms, portfolio investments and other unaffiliated European clients of Apollo Funds (i.e., portfolio investments of Apollo Funds). The Client Services are provided to AAME clients either on a discretionary or advisory basis pursuant to agreements such as services agreements, advisory agreements, sub-advisory agreements and/or portfolio management agreements. On April 3, 2018, AAME was authorized by the FCA and holds relevant regulatory permissions to provide Client Services under the services agreements it has entered into with its clients. AAME is also party to certain tripartite agreements with AMI and certain Apollo Funds. AAME and AMI could enter into various advisory relationships with one another and/or with certain entities which are affiliates of, or under common control with, AAME and AMI (such as Apollo Capital Management), in each case in connection with the performance of the Client Services. These relationships could give rise to conflicts of interests from time to time in relation to, among other things, allocation of time, resources and investment opportunities among clients of AAME. Client Services provided by AAME are disclosed in the applicable AAME client’s Governing Documents. In addition, the advisory boards (or equivalent) of certain AAME clients receive additional disclosure regarding the Client Services and the associated fees, compensation or expense reimbursements. In certain instances, the applicable Apollo Manager has sought (or could in the future seek) the approval of the advisory boards of certain AAME clients with respect to certain aspects of the Client Services that are provided to Apollo Funds and their respective portfolio investments, including, for example, the pricing methodology utilized to determine the amount of such fees, compensation and expense reimbursements that could be payable to AAME with respect to Client Services; however, in general, engagements by AAME clients or their portfolio investments of AAME on terms that are not materially less favorable do not otherwise require approval from such AAME client’s advisory board or investors. In addition, AAME clients will invest in Apollo Funds and bear an additional level of fees and incentive compensation in favor of the applicable Apollo Manager and the Apollo Fund’s general partner. No advisory board or investor consent will be required with respect to such investments, nor will any such fees or fees or expenses associated with the provision of Client Services be treated as Special Fees.

### **Apollo Investment Management Europe LLP**

AIME was incorporated as a UK limited liability partnership on March 31, 2016. As of October 22, 2016, AIME is authorized as an Alternative Investment Fund Manager (“AIFM”) by the FCA. The establishment of AIME as an AIFM allows Apollo Capital Management to market and distribute EU AIFs under AIME’s management to institutional clients in, among other European

jurisdictions, the UK, Germany, France, Italy, Denmark, Spain and Austria and permits AIME to passport its marketing and services for AIFs that it manages into multiple European jurisdictions.

### **Apollo Investment Management Europe (Luxembourg) S.à.r.l.**

AIME Lux was incorporated as a private limited liability company on January 2, 2019. As of January 9, 2019, AIME Lux is authorized as an AIFM by the CSSF. AIME Lux was established to act as the AIFM to EU-domiciled AIFs. Certain of the EU AIFs are established as parallel structures to certain Apollo Credit Funds managed by Apollo Capital Management and certain Apollo Funds managed by affiliates of Apollo Capital Management, which enable these funds, via the parallel EU AIFs, to be marketed to professional investors across the EEA using the AIFMD marketing passport. Under the AIFMD, and applicable rules under the CSSF's regulatory regime, AIME Lux is required to comply with, *inter alia*, specific substance, conflict of interest, risk management and liquidity management requirements.

### **Apollo Credit Management International Limited**

Apollo Credit Management International Limited ("ACMI") is an appointed representative of AMI. ACMI provides sub-advisory services with respect to Apollo's European Principal Finance funds and certain separately managed accounts with similar strategies. It focuses primarily on identifying non-performing, non-core, capital-inefficient and illiquid loans and assets that European banks and other financial institutions have been compelled to sell due to increasing regulatory pressures and liquidity requirements. In addition, ACMI provides core plus real estate services to Clients and could provide such services to third parties in the future.

### **Apollo Insurance Solutions Group LP (f/k/a Athene Asset Management, LLC)**

As discussed in Item 4, ISG, an indirect subsidiary of Apollo Capital Management and AGM, acts as investment adviser or sub-adviser to the ISG Clients, including the Athene Related Account Group, the ACRA Related Account Group, and their respective Cedents and Reinsurers, as well as Third Party Clients. ISG also acts as sub-adviser to certain Apollo Clients. ISG and other subsidiaries of AGM, Apollo Capital Management and their affiliates (collectively, the "Apollo Group") sponsor, manage and advise, and expect to continue to sponsor, manage and advise, a variety of clients. Apollo Group investment advisers or asset managers, including Apollo Capital Managers, other than ISG, are referred to herein as "ISG Affiliate Managers."

### ***ISG and the Apollo Group Have Significant Economic Relationships With and Control Over the Athene Group***

The Apollo Group and the Athene Group have significant economic relationships with one another. As a result of the Athene Holding transaction described in Item 2, as of February 28, 2020, Apollo and its related parties and certain employees beneficial own 34% of Athene Holding. The Apollo Group has the right to nominate a certain number of individuals on Athene Holding's board of directors at each election that is proportional to the Apollo Group's, its related parties' and such employees' beneficial interest in Athene Holding until such right terminates. Also, as a result of the Athene Holding transaction described in Item 2, as of February 28, 2020, Athene Holding held an approximate 7% ownership interest in the Apollo Operating Group.

James Belardi is the Chief Executive Officer and a director of, and has significant economic interests in, both ISG and Athene Holding. In connection with his duties at Athene Holding, Mr. Belardi earns a salary, incentive bonuses and long-term incentive awards payable to him, in part, in Athene Holding common shares. Certain of such awards are (and/or may vest) based on the performance of Athene Holding. Additional information regarding Mr. Belardi's compensation from Athene Holding for the most recent fiscal year ended can be found in the most recent Proxy Statement for Athene Holding's Annual Meeting of Shareholders following such fiscal year end. Mr. Belardi expects to continue to receive such compensation and incentive awards from Athene Holding. Mr. Belardi also earns compensation from ISG with respect to his duties at ISG and the Apollo Group, and as part of that compensation receives a salary and bonus and also receives incentive awards and profits distributions from ISG payable to him, in part, in AGM equity. In addition to Mr. Belardi's interests, certain directors, officers and employees of ISG and of the Apollo Group also hold substantial equity interests in Athene Holding. Mr. Belardi's compensation structure at Athene Holding and his and other Apollo Group personnel's interests in Athene Holding may incentivize Mr. Belardi and such personnel to favor the Athene Group (and indirectly, other members of the Athene Related Account Group) over other accounts of ISG that are not accounts of the Athene Related Account Group.

ISG manages or, in certain cases subadvises, on a fully discretionary basis, substantially all of the invested and investable assets of the Athene Group, the ACRA Group and their respective Cedent Reinsurance Accounts. In managing an account of an ISG Client (each, an "ISG Client Account"), ISG utilizes the Apollo Group's credit, real asset and private equity platforms, its personnel and its expertise to source and subadvise assets and asset classes in which the ISG Client Account is expected to invest (such subadvisers, "Affiliate Subadvisers") and may utilize third party subadvisers. Affiliate Subadvisers subadvise most asset classes in which ISG will cause the ISG Client Account to invest and may directly advise certain assets of the Athene Group and the ACRA Group. As compensation for services provided to or in relation to each ISG Client Account, ISG is entitled to fees and expense reimbursements under its investment management agreement regarding the ISG Client Account. Subadvisers (including Affiliate Subadvisers) are also entitled to fees and expense reimbursements, which fees and expense reimbursements are typically payable and/or reimbursable by the ISG Client Account.

Subadvisory fees and expenses charged by subadvisers (including Affiliate Subadvisers) are in addition to any fees and expenses charged by ISG and do not reduce the fees payable to ISG in respect of its management of an ISG Client Account. The use of paid subadvisers will result in additional fees and expenses being borne, directly or indirectly, by an ISG Client Account and may result in decreased returns. Additionally, fees charged by such subadvisers (including Affiliate Subadvisers) may not be the lowest fees available for similar subadvisory or investment management services offered by other subadvisers, and there can be no assurance that the returns and other performance metrics of such subadvisers are, or will continue to be, better than those of third party, unaffiliated subadvisers. If an ISG Client Account is part of a Related Account Group, the hiring of such Affiliate Subadvisers for fees is subject to the Athene Conflicts Committee or the ACRA Conflicts Committee processes, as applicable, and the fees of any Affiliate Subadviser connection with investments by Cedent Reinsurance Accounts will generally ultimately be borne by the Athene Group or the ACRA Group, as applicable. Certain fees payable to ISG and Affiliate Subadvisers are generally asset class specific and certain of them may be asset specific, and such fee arrangements are generally based on the market value of the applicable assets.

Additional information regarding the relationship between the Apollo Group and the Athene Group may be found in Athene Holding's most recently filed annual report on Form 10-K with the SEC.

These relationships among the Apollo Group and the Athene Group may change without notice to, or the consent of, any party, including an ISG Client Account, and the Apollo Group and/or the Athene Group may increase or decrease their holdings in or control over the Athene Group and/or the Apollo Group, as applicable, at any time.

Given the Apollo Group's (including ISG's) significant economic interests in Athene Holding, personnel of ISG and other members of the Apollo Group may be incentivized to make investment decisions that favor Athene Holding and, indirectly, the Athene Related Account Group (as the economics of the parent/subsidiary and reinsurance relationships directly benefit Athene Holding) over other ISG Clients. Additionally, given ISG's discretionary authority over the Athene Group's assets and the Apollo Group's interests in and influence over Athene Holding, ISG and other members of the Apollo Group may seek to utilize such authority and influence to cause accounts of the Athene Related Account Group or the ACRA Related Account Group (which is controlled by the Athene Group) to enter into transactions that benefit the Apollo Group more directly.

The Apollo Group seeks to address these conflicts of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each client (subject to the discussion regarding Related Account Groups and Reinsurance Asset Portfolios under "*Overview of the Reinsurance Relationship; ISG's Management of Cedent Reinsurance Accounts*" and "*Implications of the ISG Client Account Being Part of the Related Account Group*" (below) and elsewhere herein), and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under the Apollo Group's policies and procedures. Certain of these conflicts are further mitigated as between the Apollo Group, on one hand, and the Athene Related Account Group and the ACRA Related Account Group, as applicable, on the other, through the conflicts committee processes discussed below under "*Review and Mitigation of Conflicts of Interests Between the Apollo Group and the Athene Related Account Group/ACRA Related Account Group.*"

Furthermore, as stated above, as the Apollo Managers provide asset management and advisory services to Athene Holding, there will be instances where certain transactions (such as, for example, cross-trades or other transactions between Clients or portfolio investments of Clients, on the one hand, and Athene Holding, on the other hand) present conflicts of interest from the perspective of the involved parties, which would include Apollo itself or through its ownership of or significant influence over Athene Holding. No transaction between Athene Holding on the one hand, and a portfolio investment of a Client, on the other hand, will require the consent of the advisory board or the investors in such Client, unless otherwise determined by the general partner of such Client.

### ***The Relationship between the Athene Group and the ACRA Group***

As of October 1, 2019, the Athene Group owned approximately 33% of the equity and economics of the ACRA Group, with the remaining equity and economics owned by clients managed by certain members of the Apollo Group. The Athene Group controls 100% of the voting power of



the ACRA Group and is responsible for day to day management of the ACRA Group. As subsidiaries of Athene Holding, the ACRA Group is generally subject to all investment, risk, valuation, accounting and other policies and procedures developed by the Athene Group and, in addition, is subject to additional policies and restrictions that may be imposed upon the ACRA Group by its third-party investors. As it does with respect to the Athene Related Account Group, ISG takes guidance and instruction from Athene Holding and its applicable subsidiaries, as controlling parties to the ACRA Group, in connection with ISG's day to day management of the accounts of the ACRA Related Account Group, including, without limitation, with respect to certain advisory matters, asset/liability management, risk management, fair valuation and valuation sources, accounting and guideline compliance matters, as well as allocation matters relating to the allocation of investments opportunities and other transactions among accounts of the ACRA Related Account Group. For additional information regarding ACRA, see "*Elbow Re Ltd. and Athene Co-Investment Reinsurance IA Ltd*" below.

These relationships among the Athene Group and the ACRA Group may change without notice to or the consent of any party, including an ISG Client Account, and the Athene Group may increase or decrease its holdings in and/or control of the ACRA Group at any time.

#### ***Overview of the Reinsurance Relationship: ISG's Management of Cedent Reinsurance Accounts***

ISG acts as the investment adviser to substantially all of the invested and investable assets of the Athene Related Account Group, the ACRA Related Account Group and their respective Cedent Reinsurance Accounts. Although the advisory arrangement relating to a reinsurance transaction may be documented between ISG and the Cedent in an investment advisory agreement similar to that used in a typical investment advisory relationship, the economics of the two relationships are markedly different. Specifically, whereas in a typical investment advisory relationship it is the owner of the asset portfolio that directly bears the risks of loss on – and is entitled to gains in – such asset portfolio, in the reinsurance related investment advisory relationship, the economic risks and benefits of the Reinsurance Asset Portfolio (as defined below) in a Cedent Reinsurance Account are transferred (or "ceded") to the Reinsurer by the Cedent as part of a broader transaction in which the Reinsurer assumes the risk of the account owner's (i.e., the Cedent's) insurance liabilities that are backed and supported by the assets in such asset portfolio. The nature of this unique reinsurance arrangement is discussed in further detail below.

#### ***Reinsurance Arrangements, Generally***

In general, reinsurance transactions are risk transfer arrangements with respect to insurance liabilities. In such transactions, one insurance company (the "cedent") transfers, or "cedes," the risk (and the benefits) of its insurance liabilities to another insurance company (the "reinsurer"), which in connection with its assuming such liabilities, will also be entitled to all the benefits (and bear all risks) of the asset portfolio backing such reinsured liabilities. Depending on the structure of the reinsurance arrangement and the objectives of the parties, the reinsurance arrangement may result in (i) the reinsured liabilities and assets backing such liabilities being transferred into the name of the reinsurer, (ii) the reinsured liabilities being transferred into the name of the reinsurer but the assets backing such liabilities remaining with and in the name of the cedent, or (iii) the reinsured liabilities and assets backing such liabilities remaining with, and in the name of, the

cedent. Irrespective of the structure of such reinsurance transaction, however, and irrespective of whether such liabilities and/or assets are legally held in the name of the reinsurer or the cedent, the result of the reinsurance transaction is the same — to transfer all of the risks and benefits of the reinsured liabilities and of the asset portfolio backing such liabilities to the reinsurer pursuant to the terms of a reinsurance agreement entered into between the reinsurer and the cedent (such agreement, a “Reinsurance Treaty”).

#### *The Reinsurance IMA: Managing the Reinsurance Asset Portfolio*

The composition of the asset portfolio backing the reinsured liabilities under the Reinsurance Treaty (the “Reinsurance Asset Portfolio”) and the investment guidelines and other investment criteria to which such Reinsurance Asset Portfolio is subject (the “Investment Guidelines”) are negotiated between the Cedent and the Reinsurer and are integral to the reinsurance transaction and the Reinsurer as they will directly impact the amount (called a “ceding commission”) the Reinsurer will pay to, or receive from, the Cedent in connection with the Reinsurer’s agreement to assume the risk of such liabilities. When negotiating the Reinsurance Treaty, ISG assists, and acts on behalf of, the Reinsurer (and the Athene Group and/or ACRA Group, as applicable) in its negotiation of the Reinsurance Treaty and related documents with the Cedent, and assists the Reinsurer in negotiating the composition of the Reinsurance Asset Portfolio and the Investment Guidelines intended to govern such Reinsurance Asset Portfolio throughout the life of the reinsurance transaction.

In connection with, and upon the closing of, the Reinsurance Treaty, the Cedent will, as legal owner of the Reinsurance Asset Portfolio, appoint ISG to manage the Cedent Reinsurance Account and the related Reinsurance Asset Portfolio pursuant to the Investment Guidelines. In connection with such appointment, the Cedent and ISG will enter into an investment management agreement (the “Reinsurance IMA”) which will set forth the Investment Guidelines, the fees and expenses payable or reimbursable by the Cedent Reinsurance Account to ISG, and certain other rights of ISG, including the right to delegate various advisory duties to subadvisers. The characteristics and terms of each Reinsurance Treaty, Reinsurance IMA, and Reinsurance Asset Portfolio pertaining to any particular Reinsurer (and the Athene Group or the ACRA Group, as applicable), its respective Cedent, and ISG and the reinsurance relationship among them, are collectively referred to hereinafter as a “Reinsurance Relationship.”

#### *The Reinsurance Relationship: Unique Economics*

Unlike a typical separately managed account arrangement where the risks and the benefits of the underlying asset portfolio inure to the legal owner of such account, the reinsurance transaction shifts the risks and the benefits of the Cedent Reinsurance Account and the Reinsurance Asset Portfolio therein from the Cedent to the Reinsurer in connection with the Reinsurer’s agreement to reinsure the liabilities backed by such asset portfolio. Under the Reinsurance Treaty, the Reinsurer is generally obligated to maintain the Reinsurance Asset Portfolio such that the book value of such portfolio equals the reinsured liabilities. If the book value of such portfolio falls below such threshold, the Reinsurer is required to “true-up” the Cedent Reinsurance Account by adding cash or other assets, and if the Reinsurance Asset Portfolio exceeds such thresholds, the Reinsurer is entitled to remove cash or other assets from the Cedent Reinsurance Account. These “true-ups” together with other amounts that may be owing between the Cedent and the Reinsurer

are referred to herein as “Reinsurance Settlement Payments.” All expenses related to the Cedent Reinsurance Account, including the fees and expenses of ISG and any subadviser that may be payable by the Cedent under the Reinsurance IMA, flow through the Cedent Reinsurance Account but are ultimately borne by the Reinsurer as a result of the true-up mechanics of the Reinsurance Treaty through the Reinsurance Settlement Payment process.

While ISG will seek to manage a Cedent Reinsurance Account and its related Reinsurance Asset Portfolio within the applicable Investment Guidelines set forth in the applicable Reinsurance IMA, ISG takes into consideration the economic substance, nature and intent of the Reinsurance Relationship. In making investment management, allocation, risk management and other portfolio and management decisions, ISG views the economics and risks associated with the Reinsurance Asset Portfolio as the economics and risks of the Reinsurer, and ultimately of its parent — and not of the Cedent — and will take into account the interests of the Reinsurer, and ultimately of its parent, as the economic risk holder, regardless of whether title to the assets in such Reinsurance Asset Portfolio or other indicia of ownership continue to be held in the name of the Cedent, as further described herein.

#### *The Reinsurance Asset Portfolio upon a Recapture*

While a Reinsurance Relationship is intended to last the life of the reinsured liabilities, certain provisions of the Reinsurance Treaty permit its termination and the “recapture” of the reinsured liabilities and related Reinsurance Asset Portfolio upon the occurrence of specific events (such as an insolvency of the Reinsurer or the occurrence of an uncured material payment breach of the Reinsurer). In managing each ISG Client Account as part of a single Related Account Group Portfolio, portfolio management decisions are made taking into account the requirements of the applicable Investment Guidelines and the interests of the Reinsurer and of the Athene Group or ACRA Group, as applicable. Thus, while not anticipated to occur, if a Reinsurance Asset Portfolio is recaptured by a Cedent in connection with the termination of the applicable Reinsurance Treaty, it is possible that investments in the applicable Cedent Reinsurance Account at the time of such recapture, while compliant with the Investment Guidelines, may, among other things, not be investments or an asset mix in which the Cedent might have separately invested, and be different assets or a different asset mix than other accounts of the Related Account Group or other clients of Adviser. Additionally, the performance of such account is likely to differ from other accounts of the Related Account Group and other clients of ISG as further described under the headings “*Implications of each ISG Client Account being part of a Related Account Group*” and “*Differences Between Performance of an ISG Client Account and the ISG Client Accounts of other ISG Clients of ISG*” below. To the extent that such investments are investments in or commitments to Co-Investment Vehicles or other transactions in which the Apollo Group may be earning fees, entitled to expense reimbursements, or obtaining other benefits (for instance, and without limitation, an investment in an Apollo-managed CLO or ABS transaction where fees are paid to a member of the Apollo Group or a Co-Investment Vehicle in which the Reinsurance Asset Portfolio holds an interest), the arrangements as between the Co-Investment Vehicle and the Apollo Group would continue after any such recapture or termination of the related Reinsurance IMA. Thus, the Cedent would continue to bear its commitments and the fees and expenses applicable to such investments, directly or indirectly, for so long as it continues to hold such investments. Additionally, upon a recapture of a Reinsurance Asset Portfolio, any preferential benefits (including, among others, certain preferential fees and/or discounts relating to investments in

Apollo Funds) granted by the Apollo Group to the Athene Group, the ACRA Group and their respective Related Account Groups as a result of the strategic relationship among such parties, will cease to be applicable to such recaptured Reinsurance Asset Portfolio and such investments.

#### *Reinsurance Settlement Payments*

ISG is often requested to effect Reinsurance Settlement Payments between a Reinsurer and a Cedent in connection with or pursuant to a Reinsurance Treaty and/or related documents. Such Reinsurance Settlement Payments may be made in cash or through an asset-in-kind payment. ISG is generally requested to select assets to be (i) liquidated (if the Reinsurance Settlement Payment is expected to occur in cash), or (ii) transferred (in the case of an asset-in-kind payment). Such Reinsurance Settlement Payments or other transfers that are made in connection with or pursuant to a Reinsurance Treaty and/or related documents are not considered cross trades by ISG, even if ISG assists in the selection of assets to be so transferred and calculating the price at which such assets are transferred between the Reinsurer and Cedent. The market price with respect to assets that may be transferred in kind are generally determined in accordance with the Athene Group's Valuation Policy.

#### *Implications of Each ISG Client Account Being Part of a Related Account Group*

##### *Management of Each ISG Client Account and its Assets as Part of the Related Account Group Portfolio*

If an ISG Client Account (or a subaccount of an ISG Client Account) is within a Related Account Group, ISG will manage the ISG Client Account (or such subaccount) and the other accounts of the Related Account Group (including Cedent Reinsurance Accounts within such Related Account Group) as one aggregate portfolio of assets for the ultimate benefit of the Athene Group or the ACRA Group, as applicable. This means that ISG will make investment, management, allocation, risk and other decisions as if all asset portfolios within such Related Account Group Portfolio were a single asset portfolio, all accounts (or applicable subaccounts) within a Related Account Group were a single account and the Related Account Group were a single client, with the economics of such portfolios residing ultimately with Athene Holding, in the case of the Athene Related Account Group and ACRA, in the case of the ACRA Related Account Group. For instance, in managing the portfolios in a Related Account Group Portfolio as described above, ISG may, and often does, among other things, (i) disproportionately allocate investment opportunities to or away from an ISG Client Account and/or other accounts within such Related Account Group that may otherwise be eligible and able to participate in such investment opportunities; (ii) cause an ISG Client Account to "warehouse" permissible investment opportunities, without additional compensation therefor, with the intent of transferring all or a portion of such investment to one or more other accounts within such Related Account Group in the future; (iii) sell assets between an ISG Client Account and other accounts of a Related Account Group to manage cash and other needs of such Related Account Group; and (iv) invest an ISG Client Account in different tranches or classes of obligations or securities issued by the same issuer and with different priorities or rights than other accounts of such Related Account Group, as the economics of such transactions all flow up to Athene Holding, with respect to the Athene Related Account Group and ACRA, with respect to the ACRA Related Account Group.

### *Sharing of ISG Client Account Information with the Athene Group and the ACRA Group*

ISG will consult, share information about each ISG Client Account with, and receive and take direction from (a) the Athene Group with respect to ISG Client Accounts of the Athene Related Account Group (including an Athene Cedent Reinsurance Account), and (b) the ACRA Group with respect to ISG Client Accounts of the ACRA Related Account Group (including an ACRA Cedent Reinsurance Account). Because the ACRA Group is controlled by the Athene Group, with respect to the ACRA Group, such consultation, information sharing and direction will also be with or come from the Athene Group. Such consultation, information sharing and direction relates, among other things, to assets, liabilities, asset/liability management, asset allocation, accounting, risk management and conflicts matters. In addition, ISG may (and often does) assist the Athene Group and/or the ACRA Group, as applicable, in implementing policies and restrictions that impact the applicable Related Account Group (including each ISG Client Account therein, if applicable).

### *Reliance on Governance and other Processes of the Athene Group and the ACRA Group*

ISG will rely on the governance and other processes, including conflict committee processes, developed between the Apollo Group (including ISG) and the Athene Group or the ACRA Group, as applicable, to obtain permission, approvals, consents and/or waivers that ISG may require in connection with investment decisions, conflicts of interest, principal transactions, asset transfers and other matters impacting an ISG Client Account, and to the extent permitted, approved, consented to and/or waived by such processes, such matters will be deemed permitted, approved, consented to and/or waived for all ISG Client Accounts of the respective Related Account Group. In the case of the ACRA Group, such permission, approvals, consents and/or waivers will be provided by the Athene Group (which controls the ACRA Group) or, in certain instances, by the ACRA Group Conflicts Committee, as described herein). These processes may approve or permit, among other things, investments in Co-Investment Vehicles where the Apollo Group may earn fees, be entitled to expense reimbursement and/or earn other benefits, as well as other transactions where there may be a conflict between an ISG Client Account and the Apollo Group (including ISG), such as principal transactions. In the event, however, that an investment is not permitted or is otherwise not approved under such applicable governance or processes, such investment will typically not be allocated to any ISG Client Account of such Related Account Group, even if (i) the specific Investment Guidelines applicable to such account permit investment in such asset, (ii) investment in such asset may be deemed by ISG to be in the best interest of the Related Account Group or the ISG Client Account, and/or (iii) the owner of the applicable account would otherwise consent to it. Notwithstanding that ISG may (and often does) seek approvals and waivers from the Athene Group and/or the ACRA Group with respect to such policies or processes and other matters or restrictions that may impact the ISG Client Accounts of the applicable Related Account Group, unless otherwise agreed and/or permitted by the applicable Reinsurance IMA or Investment Guidelines, approvals or consents related to the waiver of Investment Guidelines applicable to a third party Cedent Reinsurance Account and its related Reinsurance Asset Portfolio may only be given by such Cedent.

*Additional Fee/Expense Relationships with respect to ISG Client Accounts of the Athene Related Account Group and the ACRA Related Account Group*

Fees payable to ISG are separately negotiated with each ISG Client Account, provided that to the extent an ISG Client Account is part of the Athene Related Account Group or the ACRA Related Account Group, fees payable by the ISG Client Account are also subject to additional fee arrangements entered into between ISG and Athene Holding or ACRA, as applicable. In such case, each of the Athene Group and the ACRA Group, with respect to ISG Client Accounts of its Related Account Group, has further agreed to pay ISG (and its affiliates) fees, and provide ISG (and its affiliates) with expense reimbursement and indemnities, that may be inclusive of and, in certain instances, are in addition to, fees, expense reimbursements and indemnities otherwise payable by such accounts under their respective investment management agreements. These fee and expense reimbursement arrangements between ISG on the one hand, and the Athene Group or the ACRA Group on the other, have differentiated fees depending on the asset class and are structured to incentivize a certain portfolio composition of the Related Account Group Portfolio, which may result in ISG investing such ISG Client Accounts in investments that are intended to maximize such fees and incentives, and such investments may be riskier or less liquid than other assets in which such accounts may have been permitted to invest.

*Valuation of Assets of the Athene Related Account Group and the ACRA Related Account Group*

The Athene Group fair values (including for purposes of U.S. GAAP and insurance company statutory reporting) assets held in ISG Client Accounts of the Athene Related Account Group and the ACRA Related Account Group. In fair valuing assets, the Athene Group uses its own valuation policies and procedures, which differ in certain respects from those of the Apollo Group.

ISG uses the valuation policies and procedures of the Athene Group in ISG's day-to-day management and monitoring of the ISG Client Accounts within the Athene Related Account Group and the ACRA Related Account Group. For example, ISG uses the valuation policies and procedures of the Athene Group when determining the price at which assets will be sold or transferred between or among the ISG Client Accounts of a Related Account Group. Additional information may be found under "*Asset Transfers within a Related Account Group*," below, and under "*Overview of the Reinsurance Relationship: ISG's Management of Cedent Reinsurance Accounts— Reinsurance Settlement Payments*," above.

Because ISG uses the valuation policies and procedures of the Athene Group in ISG's day to day management and monitoring of client accounts, and because such policies and procedures differ in certain respects from those of the Apollo Group, asset transfer prices and other valuations determined by ISG pursuant to Athene Group's policies and procedures with respect to an ISG Client Account may differ from asset transfer prices and other valuations prepared by the Apollo Group in respect of the same assets. These differences in transfer prices and/or other valuations may be material and/or may create discrepancies in certain reporting.

Notwithstanding that ISG determines asset prices and other valuations using the Athene Group's valuation policies and procedures in connection with matters relating to ISG Client Accounts of a Related Account Group, ISG (and/or its affiliates) expects to perform its own independent valuation of assets within such portfolios using the Apollo Group's valuation policies and

procedures for, among other things, determining regulatory assets under management, preparing fee challenges under applicable investment management agreements and pricing cross-trades effected between any ISG Client Account of a Related Account Group, on the one hand, and other Apollo Group Clients, on the other hand.

*Reliance on Certain Accounting and other Services and Information from the Athene Group with respect to the Athene Related Account Group and ACRA Related Account Group*

ISG generally does not seek to provide asset accounting services on behalf of its clients and therefore will not provide such services to the ISG Client Account. Instead, ISG will rely on the Athene Group for certain important determinations, information and services related to client assets, including assets in the ISG Client Account and/or assets of each Related Account Group. Such determinations, information and services include, without limitation: (i) investment accounting policy determinations; (ii) fair valuations (including for purposes of U.S. GAAP and insurance company statutory reporting); (iii) other valuations, such as statutory book values and statutory carry values, upon which ISG relies for purposes of performing its compliance and other calculations and for purposes of preparing client reports; (iv) information, such as duration and weighted average life, regarding the liabilities backed by the assets in such accounts (as may be determined in accordance with the Athene Group's policies and procedures); and (v) risk management metrics and other metrics relating to the assets in such accounts. In certain cases, ISG may prepare such information, but does so in accordance with the policies of and, in some cases, in concert with, the Athene Group.

By relying on the Athene Group for important determinations, information and services related to assets in the ISG Client Accounts of the Related Account Groups, ISG relies on the Athene Group's techniques and opinions regarding, for instance, risk management and characteristics of underlying liabilities. Such techniques and opinions could differ from the risk management techniques and opinions of other clients. This could result in ISG making decisions that may be different than it would have otherwise made in the absence of such reliance on the Athene Group. Also, ISG's reliance on the Athene Group and/or its policies and procedures for such information could create conflicts of interest for the ISG Client Account. For example, by relying on the Athene Group or its policies for accounting information, ISG relies on the Athene Group's determination of appropriate accounting practices, policies and conventions, any of which could differ from the accounting practices, policies and conventions that a client or ISG may independently adopt on its own behalf, and such determinations may impact, for instance, portfolio compliance with Investment Guidelines, as well as client reports and other reporting prepared by ISG.

*Asset Transfers within a Related Account Group*

ISG does not view asset transfers (including purchases and sales) among different ISG Client Accounts of a Related Account Group as cross trades (or, in the case of asset transfers among different ISG Client Accounts of the Athene Related Account Group, as principal transactions). Instead, ISG views asset transfers among different ISG Client Accounts of the same Related Account Group (including Cedent Reinsurance Accounts of such Related Account Group) as transfers effected at fair market value or statutory book value within a single economic group, utilizing the Athene Group's valuation and accounting policies and procedures as described above.

*Review and Mitigation of Conflicts of Interest between the Apollo Group and the Athene Related Account Group/ACRA Related Account Group*

In order to review and mitigate conflicts and potential conflicts of interests involving the Apollo Group (including ISG), on the one hand, and the Athene Group or the ACRA Group, on the other hand, certain conflicts committees and related processes have been established by Athene Holding and ACRA.

The Athene Group Conflicts Committee is a committee of the Board of Directors of Athene Holding (the “Athene Group Conflicts Committee”) and is comprised of members of Athene Holding’s Board of Directors who are not general partners, directors, managers, officers or employees of any member of the Apollo Group (including ISG). The Athene Group Conflicts Committee reviews and approves conflicts of interest between the Athene Group (including transactions involving Athene Cedent Reinsurance Accounts and their related Reinsurance Asset Portfolios), on the one hand, and the Apollo Group, on the other hand. In making its determinations, the Athene Group Conflicts Committee takes only the interests of the Athene Group into account.

The ACRA Conflicts Committee is a committee of the Board of Directors of ACRA (the “ACRA Group Conflicts Committee”) and, together with the Athene Group Conflicts Committee, each a “Conflicts Committee” and collectively the “Conflicts Committees”) and is comprised of members who are not general partners, directors, managers, officers or employees of any member of the Apollo Group (including ISG). The ACRA Group Conflicts Committee reviews and approves conflicts of interest between the ACRA Group (including transactions involving ACRA Cedent Reinsurance Accounts and their related Reinsurance Asset Portfolios), on the one hand, and the Apollo Group, on the other hand. In making its determinations, the ACRA Group Conflicts Committee takes only the interests of the ACRA Group into account.

Not all conflicts, however, are subject to the approval of the applicable Conflicts Committee. For example, transactions which fit within certain pre-approved criteria or which do not exceed certain fee limits, non-material transactions, transactions that do not exceed certain thresholds, or transactions which are less likely to be on terms that are less advantageous to the Athene Group or the ACRA Group, as applicable, than can be obtained through arm’s-length negotiations are not required to be reviewed by the applicable Conflicts Committee and are exempt from such committee approval. Conflicts Committee procedures have been developed and memorialized, and determinations of whether an investment requires applicable Conflicts Committee approval is made by ISG in accordance with such procedures.

ISG will rely on the Athene Group Conflicts Committee process as developed by Athene Holding with respect to actual or potential conflicts between the Athene Related Account Group, on the one hand, and the Apollo Group (including ISG) on the other. Similarly, ISG will rely on the ACRA Group Conflicts Committee process developed by ACRA with respect to conflicts or potential conflicts between the ACRA Related Account Group, on the one hand, and the Apollo Group (including ISG) on the other. If an investment and/or conflict is approved by the applicable Conflicts Committee, it may be invested in by any member of such Related Account Group (including a Cedent Reinsurance Account with respect to its Reinsurance Asset Portfolio). As described above under “*The Relationship between the Athene Group and the ACRA Group*,” the



ACRA Group entities are subsidiaries of (and consolidate into) the Athene Group, and ultimately into Athene Holding. As subsidiaries of Athene Holding, the ACRA Group is subject to the policies and procedures of the Athene Group, as well as its own, and the investment must comply with such requirements as well. To the extent that the Athene Group Conflicts Committee does not consent to a particular conflict, the investment will generally not be presented to the ACRA Conflicts Committee.

*Differences between Performance of an ISG Client Account and the ISG Client Accounts of other ISG Clients*

Each ISG Client Account may, and likely will, invest in different assets and perform differently than other ISG Client Accounts of the same Related Account Group and other ISG Clients. There are many reasons for such differences, including, among others, (i) the unique characteristics of the liabilities backed by the assets in the ISG Client Account, (ii) the timing of the ISG Client Account's initial deployment, (iii) whether the ISG Client Account is expected to grow or be in run off, (iv) the ISG Client Account not being managed to total return, (v) yield requirements and other requirements of the ISG Client Account, (vi) the Investment Guidelines applicable to the ISG Client Account and (vii) the varied considerations described in Item 6 under the heading "*Allocation of Investment Opportunities*." In addition, if an ISG Client Account is also part of a Related Account Group, ISG's management of the ISG Client Account as part of a single portfolio, as described under the heading "*Implications of an ISG Client Account being Part of a Related Account Group*," will likely also contribute to such differences.

**Elbow Re Ltd. and Athene Co-Investment Reinsurance 1A Ltd.**

Elbow Re Ltd. (formerly known as Acra Re Ltd.) ("Elbow Re") received its Class C (Life) and Class 3A (P&C) licenses from the Bermuda Monetary Authority in July 2018. Elbow Re will provide collateralized reinsurance cover to Apollo affiliated and/or managed insurance companies. Elbow Re is owned by the Acra Re Company Purpose Trust, a Bermuda purpose trust, the trustee of which is Conyers Trust Company (Bermuda) Limited. Elbow Re is registered as a segregated accounts company under the Bermuda Segregated Accounts Act 2000. An Apollo Credit Manager will manage the investment portfolio of Elbow Re and receive a Management Fee. AGS will receive structuring fees for originating insurance/reinsurance transactions on behalf of Elbow Re.

ACRA, was incorporated as a Bermuda insurance company in November 2018 and received a Class C (Life) from the Bermuda Monetary Authority in December 2018. As of October 1, 2019, the economic interests of ACRA are owned 33% by Athene Life Re Ltd. ("Athene Life Re") and 67% by certain funds managed by Apollo Capital Management. The voting interests of ACRA are owned 100% by Athene Life Re. As set forth in the applicable Governing Documents, ACRA has the right to participate alongside Athene Life Re (through itself or other legal entities formed pursuant to the Framework Agreement for purposes of entering into such transactions) in substantially all legal entity acquisition transactions, third-party block reinsurance transactions and pension risk transfer transactions, as well as certain flow reinsurance transactions with third-party counterparties (each, a "Qualifying Transaction") for a certain time period. Athene Life Re could also offer ACRA the right to participate in flow reinsurance transactions with existing third-party counterparties and reinsurance transactions involving new funding agreements from time to time,

subject to certain conditions. ACRA's right to participate in Qualifying Transactions is subject to capital requirements and other terms and conditions. In connection with each transaction in which ACRA elects to, subject to the applicable terms and conditions of the applicable Governing Documents, ACRA would pay Athene Life Re a fee under a schedule where the fee increases from 10 basis points as business assumed or acquired by ACRA increases. ACRA pays a monthly fee to ISG for asset management services in an amount equal to the marginal base investment Management Fees and sub-allocation fees Athene Holding pays to ISG pursuant to the applicable agreement by and between ISG and Athene Holding. ACRA will pay to Athene Life Re or its affiliates a shared services fee annually on the total reserves of each such entity, and will reimburse Athene Life Re at cost for certain incremental costs, subject to a cap.

### **MidCap Finco Designated Activity Company**

MidCap Finco Designated Activity Company, a private company limited by shares incorporated under the laws of Ireland, and its subsidiaries (collectively referred to as "MidCap Financial") have entered into a Management Agreement pursuant to which Apollo Capital Management acts as the investment manager of MidCap Financial's credit business. MidCap Financial is a middle-market focused specialty finance firm that provides financing to middle market companies in a wide variety of industries. MidCap Financial focuses on the sourcing of leveraged loans, general and healthcare asset-based loans, venture loans, real estate loans, lender finance term loans and franchise finance loans. In addition to Management Fees payable to Apollo Capital Management pursuant to the Management Agreement, Apollo Capital Management is entitled to be reimbursed by MidCap Financial for expenses Apollo Capital Management incurs with respect to the professionals of Apollo Capital Management that are charged with managing the investment portfolio of MidCap Financial and its subsidiaries, subject to an annual cap. Apollo Capital Management is also entitled to be reimbursed by MidCap Financial for certain operating expenses and internal expenses, subject to certain limitations.

MidCap Financial Services, LLC ("MFS"), a subsidiary of MidCap Financial, provides sourcing, due diligence and portfolio management services to MidCap Financial pursuant to a services agreement, which are overseen by Apollo Capital Management pursuant to the Management Agreement. In consideration for the services provided under the services agreement, MidCap Financial pays MFS an arm's-length fee in connection with providing such services.

Investment opportunities sourced for MidCap Financial could be appropriate for other Clients, and therefore, personnel from MFS and Apollo Capital Management could communicate from time to time about such investment opportunities. In addition, Apollo Capital Management engages MFS to provide certain portfolio management, monitoring and certain other administrative services for certain Clients of Apollo Capital Management and the portfolio securities purchased by such Clients. In consideration for the services provided under these services agreements, Apollo Capital Management pays MFS an arm's-length sub-servicing fee in connection with providing such services. MidCap Financial is subject to Apollo's policies and procedures, including, among others, those addressing confidential and material non-public information.

MidCap Financial Services Capital Management, LLC ("MidCap Financial Capital Management") is an indirect wholly owned subsidiary of MidCap Financial. MidCap Financial Capital Management is registered as an investment adviser with the SEC and provides investment advisory

services to CLOs and related CLO warehouse vehicles (“CLO Warehouses”) that primarily invest in senior secured loans sourced by MidCap Financial or made available to MidCap Financial by third parties that include Apollo Capital Management.

Clients of Apollo Capital Management, including ISG’s clients, could invest in CLOs, CLO Warehouses and loans in which the CLOs managed by MidCap Financial Capital Management also maintain an investment. Apollo Capital Management and ISG have implemented allocation policies and procedures that are intended to, among other things, mitigate conflicts of interest that arise from such transactions.

MidCap Financial Capital Management also contracts with Apollo Capital Management for the provision of certain administrative and back office services associated with its asset management business, including certain compliance services.

### **Redding Ridge Asset Management LLC and Redding Ridge Asset Management (UK) LLP**

Redding Ridge Asset Management LLC (“RRAM”), is a Delaware series limited liability company and a wholly owned subsidiary of Redding Ridge Holdings LP (“RR Holdings”), a Cayman Islands exempted limited partnership. Interests in RR Holdings are held by Apollo Principal Holdings VII, L.P., a Cayman Islands exempted limited partnership and indirect subsidiary of AGM; Apollo ND Services LLC, a Delaware limited liability company and indirect subsidiary of AGM; certain Apollo Credit Funds; and certain third-party investors.

RRAM was established and provided seed capital by Apollo and certain third-party investors to facilitate compliance with the U.S. Risk Retention Rules. RRAM has independently registered with the SEC as an investment adviser. The U.S. Risk Retention Rules require a sponsor of a securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets. However, following the DC Circuit Ruling, collateral managers of “open-market CLOs” (described in the ruling as CLOs where assets are acquired from “arm’s-length negotiations and trading on an open market”) are no longer required to retain an interest in such “open-market CLOs” under the U.S. Risk Retention Rules. As a result of the DC Circuit Ruling, RRAM is no longer required under the U.S. Risk Retention Rules to retain an interest in “open-market CLOs” in which it acts as collateral manager.

RRAM could, however, elect to act as the “originator” (as defined in the EU Securitization Laws) for purposes of compliance with the EU Securitization Laws for U.S. CLOs in which it acts as collateral manager. Currently, RRAM acts as the “originator” (as defined in the EU Securitization Laws) of such U.S. CLOs that comply with the EU Securitization Laws and holds the risk retention interest under the EU Securitization Laws in such CLOs.

A number of entities that are affiliated with Apollo Capital Management provide services to RR Holdings and its wholly owned subsidiary RRAM. RRAM primarily advises and holds certain CLO securities, including “risk retention” interests in, pooled investment vehicles that are CLOs and CLO Warehouses.

Services provided to RRAM by certain affiliates of Apollo Capital Management could include: (i) identifying potential investment opportunities within the specific investment and business

strategies of the CLOs and CLO Warehouses which RRAM manages; (ii) providing research, assessments and other information on potential investment opportunities; (iii) passing along information that was provided from third parties with respect to potential investment opportunities; (iv) providing middle, back-office and other administrative services, including, but not limited to, supporting legal, tax, compliance and risk functions; and (v) providing advice and expertise related to the initial organization and structure of RRAM and its affiliates and permission for RRAM to use Apollo Capital Management's contacts at various institutions to effectively identify investors, vendors and/or third-party service providers.

RRAM, RR Holdings and the CLOs and related CLO Warehouses in which they invest will bear fees, costs or expenses in connection with these services. In consideration for providing such services, certain affiliates of Apollo Capital Management receive service fees pursuant to an administrative services agreement and a credit research services agreement with RRAM and incentive allocations pursuant to the RR Holdings limited partnership agreement. These affiliates are also reimbursed for certain costs and expenses pursuant to such service agreements and the RR Holdings limited partnership agreement.

Affiliates of Apollo Capital Management share certain employees with RRAM. Conflicts of interest could arise from the fact that certain employees of affiliates of Apollo Capital Management are shared employees with RRAM and are involved in the management of advisory clients. Participation in specific investment opportunities could be appropriate at times for Clients of the Apollo Credit Managers. Investment programs with respect to CLOs and other financial instruments are expected to overlap. In light of the various relationships between RRAM and Apollo Capital Management and its affiliates, there could be an incentive for Apollo Capital Management and its affiliates to pursue investment opportunities in a way that is favorable to RRAM. Apollo Capital Management and RRAM have implemented their own respective allocation policies and procedures that are intended to, among other things, mitigate this potential conflict.

Apollo Credit Managers and their respective Clients could invest in CLOs and CLO Warehouses or loans in which RRAM also maintains an investment. Any such transactions will be undertaken in accordance with applicable provisions of the Advisers Act and Apollo's policies and procedures.

RRAM performs certain other services to affiliated entities of Apollo and other third parties relating to the refinancing, structuring and optimizing of CLOs and other securitizations.

Redding Ridge Asset Management (UK) LLP ("RRAM UK"), a limited liability partnership organized in the UK, is a subsidiary of RRAM. RRAM UK acts as investment manager and/or collateral manager to certain CLOs that are primarily collateralized by loans to EU obligors. RRAM UK is registered with the SEC as an investment adviser and is authorized and regulated by the FCA. The services detailed above provided by certain affiliates of Apollo Capital Management to RRAM are also provided to RRAM UK, and similarly, affiliates of Apollo Capital Management also share certain employees with RRAM UK. The potential conflicts of interests that could arise in connection with the relationship between affiliates of Apollo Capital Management and RRAM could also arise between affiliates of Apollo Capital Management and RRAM UK. To mitigate these conflicts of interest, Apollo, RRAM and RRAM UK have implemented policies and procedures between their respective businesses.

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

The Apollo Credit Managers are affiliated with AP Alternative Assets, L.P. (“AAA”), a limited partnership established under the laws of Guernsey, whose common units are traded on Euronext in Amsterdam, the regulated market of Euronext N.V., under the symbol “AAA.” AAA has invested its capital through, and is the sole limited partner of, AAA Investments, L.P. (“AAA Investments”). AAA Investments has substantially all of its capital invested in Athene Holding.

In accordance with the services agreement among AAA, AAA Investments and other service recipients party thereto (“AAA Services Agreement”), affiliates of Apollo Capital Management received a Management Fee for managing the assets of AAA Investments. The Management Fee was terminated on December 31, 2014, although services will continue through December 31, 2020.

A portion of AAA Investments’ investment in Athene Holding is subject to carried interest, which will generally entitle affiliates of Apollo Capital Management to realize a portion of the profits generated by the investment (generally, a percentage of net realized gains). Carried interest is paid in cash or in common shares of Athene Holding at the election of the general partner of AAA Investments.

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

## **Apollo Investment Consulting, LLC and Apollo Investment Consulting Europe Ltd.**

Apollo Consulting facilitates strategic arrangements with, or engagements (including on an independent contractor or employment basis) of, any persons that the Apollo Credit Managers determine in good faith to be industry executives, advisors, consultants (including operating consultants and sourcing consultants), operating executives, subject matter experts or other persons acting in a similar capacity, to provide consulting, sourcing or other services to or in respect of a Client and portfolio investments (including with respect to potential portfolio investments of a Client). As mentioned in “Operating Expenses” above, Clients bear the fees, costs or expenses of certain services provided by, and allocable overhead of, Apollo Consulting (including compensation of its personnel, including those that perform a “front office” function, such as sourcing, or other investment related functions, as well as industry executives, advisors, consultants and operating executives contracted or engaged directly or indirectly by a Client, the Apollo Credit Managers, any portfolio investment (including with respect to potential portfolio investments of a Client). Certain industry executives, advisors, consultants and operating executives could be exclusive to Apollo or a Client and could in certain circumstances (including in connection with sourcing arrangements) be employees of Apollo. In addition, to the extent these consultants serve as a board member or in a similar capacity of a portfolio investment, these consultants receive multiple sources of compensation, including from both a Client and directly from a Client’s portfolio investment for specific services provided with respect to that investment (e.g., fees received for serving as a director, trustee or in a similar capacity of the portfolio investment). Consultants are entitled to retain those sources of compensation and such compensation does not reduce the fees paid by a Client to Apollo Credit Managers. While the expertise or responsibilities of a consultant will at times be similar in certain respects to those of a

full-time Apollo investment professional employed by Apollo, the fees, costs, expenses or other compensation described above could nonetheless be borne by Clients or their portfolio investments, due to, among other things, factors that distinguish these engagements from those of Apollo investment professionals, such as the macroeconomic, geopolitical or industry expertise of a given person.

### **Affiliated Loan Origination and/or Servicing Businesses**

Affiliates of the Apollo Credit Managers (including AGF) and certain Clients and/or their portfolio investments are engaged in the loan origination and/or servicing businesses. In connection with their lending activities, such loan origination and/or servicing businesses could receive certain fees, including, arranger, brokerage, placement, syndication, solicitation, underwriting, agency, origination, sourcing, structuring, collateral management or loan administration, advisory, servicing, commitment, facility, float or other fees, discounts, spreads, commissions and concessions and other fees received as part of such loan origination and/or servicing businesses. Such fees could be charged on a cost reimbursement or on a cost-plus basis. A Client or the issuers of financial instruments held by a Client could acquire loans originated, structured, placed and/or arranged by such affiliated related party loan origination and/or servicing businesses and in respect of which such businesses receive fees. For example, loans, such as term loans and revolvers, originated by Apollo affiliates (including AGF), Clients and/or their respective portfolio investments could involve the engagement of MidCap Financial and/or AGF as a service provider. In such a role, MidCap Financial and/or AGF will receive fees, compensation and reimbursement for costs or expenses. Such fees can be charged on a cost reimbursement, cost-plus or other basis. Further, such affiliated service providers can provide seller financing to an existing portfolio investment or a third party in connection with a Client's disposition of its interest in such portfolio investment. Subject to the Governing Documents of a Client, any such fees will not be applied to reduce Management Fees or other fees payable by a Client or any of its investments or otherwise directly or indirectly benefit such Client or any of its investors. Such fees will otherwise be borne by the Client or by the issuers of financial instruments held by the Client.

### **Selection of Service Providers**

Except as could otherwise be provided under the terms of a Client's Governing Documents, the Apollo Credit Managers or one or more of their affiliates will select service providers for Clients (including Affiliated Service Providers) and their respective existing and potential portfolio investments, in each case, for purposes of the provision of services or in connection with financial transactions. The Apollo Credit Manager or applicable affiliate will also determine the compensation of such providers without review by or the consent of an advisory board, the investors or an independent party, regardless of the relationship to the Apollo Credit Managers, their affiliates or the person performing the services, bear the fees, costs and expenses related to such services. This could create an incentive for an Apollo Credit Manager or an applicable affiliate to select an Affiliated Service Provider or to select service providers based on the potential benefit to the Apollo Credit Manager, rather than to Clients or their existing or potential portfolio investments. For example, Apollo Capital Management could select service providers that use its or its affiliates' premises, for which Apollo Capital Management or one of its affiliates could receive overhead, rent or other fees, costs and expenses in connection with such on-site arrangement.

Apollo Capital Management or one or more of its affiliates will engage the same service provider to provide services to a Client that also provides services to Apollo Capital Management or any such affiliate, which creates a potential conflict of interest to the extent the interests of such parties are not aligned. For example, a law firm could at the same time act as legal counsel to a Client, its general partner or similar person, its investment adviser or other affiliates of Apollo Capital Management.

The Apollo Credit Managers and their affiliates address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including law firms) has a quality reputation in the relevant subject matter, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying the Apollo Credit Managers' or their affiliates' service provider selection criteria. In addition, in the event such service providers are affiliates of the Apollo Credit Managers (as opposed to third parties), the engagement of such providers must typically comply with the conditions applicable to affiliate transactions, if any, set forth in the Clients' Governing Documents.

The relationship between Apollo and any Affiliated Service Provider, including AGS or AGF, will give rise to conflicts of interest between Apollo and Clients with respect to whom such Affiliated Service Provider provides services or Clients who have an interest in any portfolio investments or investment vehicles to whom any such Affiliated Service Provider provides services. Certain management persons of Apollo that are involved in providing portfolio management services to a Client on behalf of Apollo will also be involved in the business and operations of Affiliated Service Providers. Such management persons will face conflicts of interest in dedicating time and resources to a Client, which could have a detrimental effect on such Client's performance. Apollo addresses this conflict of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each Client and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are identified and resolved under Apollo's policies and procedures. In addition, an Affiliated Service Provider can provide services to third parties, including third parties that are competitors of Apollo or one or more of its affiliates, Clients or their portfolio investments. In such cases, the Affiliated Service Provider will generally not take into consideration the interests of Clients. An Affiliated Service Provider also can come into possession of information that it is prohibited from acting on (including on behalf of Clients) as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interest of Clients.

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

*Multiple Clients and Other Apollo Clients.* Certain inherent conflicts of interest arise from the fact that: (i) the Apollo Credit Managers provide investment management services to more than one Client; (ii) Clients could have one or more overlapping investment objectives or strategies; and (iii) the Apollo Credit Managers are affiliated with other Apollo Managers that provide investment management services to other Apollo Funds that also could have overlapping investment objectives or strategies. In addition, the investment strategies employed by an Apollo Credit Manager for current and future Clients and/or by Apollo Managers for other Apollo Funds could conflict with the strategies employed by another Apollo Credit Manager for current and future Clients, and could affect the prices and availability of the securities and other assets in which such

Clients invest. An Apollo Credit Manager or another Apollo Manager also could advise Apollo Funds or Co-Investment Vehicles with conflicting investment objectives or strategies. These activities could adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Apollo Funds or Co-Investment Vehicles.

As part of Apollo's integrated platform, certain management persons of the Apollo Credit Managers provide services to other pooled investment vehicles or investment companies sponsored by Apollo. By way of example, management persons of the Apollo Credit Managers that are involved in providing portfolio management services to certain Clients have direct incentive compensation arrangements with other Apollo Funds that pay incentive fees to their general partners. Such management persons are incentivized to (i) dedicate additional time and resources to other Apollo Funds with which such persons have a direct incentive compensation arrangement and (ii) allocate attractive investment opportunities to such Apollo Funds instead of Clients, each of which could have a detrimental effect on the performance of these Clients.

Apollo Credit Managers address these conflicts of interest by providing in Apollo's Code of Ethics, as described in Item 11, that all supervised persons have a duty to act in the best interests of each Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures, and through the implementation of the investment allocation procedures described above in Item 6.

Similarly, Apollo Credit Managers, from time to time and without notice, also in-source and/or outsource to their respective affiliates and third parties, certain of their processes or functions to provide, among other things, investment accounting and risk management services.

*Diverse Membership.* Investors in Clients include taxable and tax-exempt entities and persons domiciled or organized in various jurisdictions and subject to different tax and regulatory regimes. When investors and Clients co-invest alongside each other, they could have conflicting investment, tax and other interests, relating to, among other things, the nature of investments made by the Client, the structuring or the acquisition of investments and the nature and timing of disposition of investments. As a result, conflicts of interest could arise in connection with decisions made by the Apollo Credit Managers, including as to the nature and structure of investments, that could be more beneficial for one type of investor than for another type of investor. The results of a Client's activities could affect individual investors differently, depending upon their individual financial and tax situations. For example, the timing of a cash distribution or of an event of realization of gain or loss and its characterization as long-term or short-term gain or loss could affect investors differently. In addition, Clients could make investments that could have a negative impact on related investments made by investors in separate transactions. Furthermore, under the new U.S. partnership audit regime, decisions made by the Apollo Credit Managers (or other partnership representative) in connection with tax audits (including whether or not to make an election under those rules) could be more beneficial to one type of investor than another type of investor. Also, if a Client were required to qualify as a venture capital operating company or a real estate operating company for purposes of the Employee Retirement Income Security Act of 1974, as amended, this could restrict, at any given time, the level of investment which the Client would be able to make in entities that do not qualify as operating companies and/or pursuant to which the Client was unable to attain management rights. In selecting, structuring and managing investments appropriate for Clients, the Apollo Credit Managers consider the investment and tax objectives of



the Client or Clients as a whole, not the investment, tax or other objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some Clients or investors than to others or to affiliates of the Apollo Credit Managers than to a particular Client or investor.

*Directors of Portfolio Companies.* Additional conflicts of interest arise because Apollo partners, principals and employees (including personnel of the Apollo Credit Managers) serve as directors of, or acquire observer rights with respect to, certain companies in which Clients invest. In the event an Apollo Credit Manager or a related person (i) obtains material non-public information in such capacity with respect to any such company or (ii) is subject to trading restrictions pursuant to the internal policies of such company, the Apollo Credit Managers could be prohibited from engaging in transactions with respect to the securities or instruments of such company. Such a prohibition could have an adverse effect on Clients. In addition to any fiduciary duties that Apollo partners, principals and employees owe to Clients, as directors of portfolio companies, these Apollo partners, principals and employees could owe fiduciary duties to shareholders of the portfolio companies, which could be other Clients, and to persons other than Clients.

In general, such director or similar positions are often important to Clients' (and any other Apollo Funds with a similar investment focus) investment strategies and could have the effect of enhancing the ability of the Apollo Credit Managers and their affiliates to manage investments. However, such positions could have the effect of impairing the ability of the Apollo Credit Managers to sell the related securities when, and upon the terms, they could otherwise desire. In addition, because of the potential conflicting fiduciary duties that Apollo partners, principals and employees owe to a portfolio investment, on one hand, and that the Apollo Credit Managers owe to the Clients, on the other hand, such positions could place the Apollo partners, principals and employees in a position where they must make a decision that is either not in the best interests of Clients or not in the best interests of the shareholders of the portfolio investment. Should an Apollo partner, principal or employee make a decision that is not in the best interests of the shareholders of a portfolio investment, such decision could subject one or more Apollo Credit Managers and Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, Clients will indemnify the Apollo Credit Managers and their partners, principals and employees from such claims. In addition, the Apollo partners, principals and employees could make decisions for a portfolio investment that negatively impact returns received by a Client investing in the portfolio investment or in other investments or, conversely, an Apollo Credit Manager could make a decision that negatively impacts a portfolio investment and the returns for other Clients that could be invested in the portfolio investment. In addition, because of conflicting fiduciary duties, Apollo Credit Managers could be restricted in choosing investments for Clients, which could negatively impact returns received by the Client. For example, an Apollo Credit Manager would be restricted in choosing investments for a Client if an Apollo partner, principal or employee obtained certain material non-public information.

*Standards of Care and Indemnification.* The Governing Documents of most Clients contain provisions that, subject to applicable law, reduce or modify the duties that certain persons would otherwise owe to such Client or its investors. Pursuant to the typical standard of care set forth in the exculpation and indemnification provisions of the applicable Governing Documents, the Apollo Credit Managers and each of their affiliates (including AGM) and each officer, director,

partner, member, manager, shareholder and employee of the foregoing and each member of the advisory board, if applicable (including, solely in connection with matters relating to the advisory board, the investor and/or other person on whose behalf the advisory board member is serving), will be indemnified and held harmless from losses sustained from any act or omission in connection with Clients' activities, absent bad faith, gross negligence, willful misconduct, fraud or willful or reckless disregard of their duties and could receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that could be subject to a right of indemnification. For example, in their capacity as directors of portfolio companies, the officers, directors, partners, members, managers, employees and shareholders of the Apollo Credit Managers or their respective affiliates could be subject to derivative or other similar claims brought by shareholders of such companies. The fees, costs, expenses (whether or not advanced) and other liabilities resulting from such indemnification obligations are Operating Expenses and will be paid or otherwise borne by Clients (including by satisfaction out of unpaid capital contributions of their respective limited partners, shareholders or other investors).

The application of the foregoing standards could result in Clients or investors in such Clients having a more limited right of action than they would have had in the absence of such standards. As a result, even though such exculpation and indemnification provisions in a Client's Governing Documents will not act as a waiver of an investor's right under federal or state securities law (which is not permitted to be waived), the application of the foregoing standards could result in such Client bearing significant financial losses even where such losses were caused by the negligence (even if heightened) of such covered persons. Such financial losses could have an adverse effect on the returns to the Client or an investor in a Client and, if the Client's assets are insufficient to satisfy such Client's indemnification obligations, an investor could be required to return amounts distributed to it, subject to any limitations set forth in such Client's Governing Documents.

*Client Advisory Boards.* Certain Clients have advisory boards that consist of representatives of certain investors in such Clients. Certain Clients also have the ability to create subcommittees of their advisory boards to address certain categories of topics, such as expense allocations, valuations and other topics. Any approval or consent given by a subcommittee will be treated as an approval or consent given by the applicable advisory board. Any approval or consent given by such advisory boards (or subcommittees) tends to be binding on such Clients and all of their investors. Advisory boards are also authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Client's advisory board, such investor will have no influence over matters submitted to the advisory board for approval. Although the Apollo Credit Managers have adopted Apollo's policies and procedures designed to manage conflicts among Clients, members of the advisory boards could themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the advisory boards on which they serve. In such instances, the Apollo Credit Managers expect that such members of the advisory board will make every effort to act in the best interest of the Client that it represents; however, there can be no assurances that such conflicts of interest will be entirely eliminated.

The Governing Documents of a Client will typically provide that the advisory board of such Client review or consent to a particular transaction or conflict of interest. However, in certain instances

(e.g., when a portfolio investment is publicly traded or if a Client does not control the portfolio investment), the Apollo Credit Manager could defer to the judgment of the board of directors (or equivalent governing body) of the applicable portfolio investment of such Client to review or consent to a particular transaction or conflict of interest.

*Information Barriers and the Restricted List.* Apollo currently operates without ethical screens or information barriers that other firms implement to separate persons who make investment decisions from others who could possess material non-public information that could influence such decisions. In an effort to manage possible risks arising from Apollo's decision not to implement such screens, Apollo maintains a Code of Ethics, as described in Item 11, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Apollo's policies and procedures. In addition, Apollo Compliance maintains a list of restricted issuers as to which Apollo could have access to material non-public information and in whose securities Clients are not permitted to trade without prior approval from Apollo Compliance. In the event that any Apollo employee obtains material non-public information, the Apollo Credit Managers will be restricted in acquiring or disposing investments on behalf of Clients, which could impact the returns generated for Clients. Similarly, if one Apollo Manager (e.g., the Apollo Credit Managers) acquires confidential or material non-public information, the other Apollo Managers (e.g., the Apollo Private Equity Managers and Apollo Real Estate Managers) will be restricted in acquiring or disposing investments on behalf of their Clients.

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

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

different levels of investments in the various Clients and that each Client could pay different levels of fees.

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

*Capital Structure Investments.* The Apollo Credit Managers and their affiliates have ongoing relationships with many companies whose securities have been acquired by, or are being considered for investment by, Clients. From time to time, an Apollo Credit Manager will acquire securities or other financial instruments of an issuer for one Client, which are senior or junior securities or financial instruments of the same issuer that are held by, or acquired for, another Client or Apollo Fund (e.g., one Client could acquire senior debt while another Client or Apollo Fund could acquire subordinated debt). Conflicts of interest are expected to arise in such circumstances. For example, in the event such issuer enters bankruptcy, the Client holding securities that are senior in bankruptcy preference is expected to have the right to aggressively pursue the issuer's assets to fully satisfy the issuer's indebtedness to the Client, and as a fiduciary, the applicable Apollo Credit Manager could have an obligation to pursue such remedy on behalf of such Client. As a result, another Client holding assets of the same issuer that are more junior in the capital structure could not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and could suffer a loss.

In addressing certain of the potential conflicts of interest described herein, Apollo and/or the applicable Apollo Credit Manager could, but will not be obligated to, take one or more actions on behalf of a Client, including any one or more of the following: (i) causing a Client to remain passive in a situation in which it is otherwise entitled to vote, which could mean that such Client defers to the decision or judgment of an independent, third-party investor in the same class of equity or debt securities or other financial instruments held by another Client; (ii) referring the matter to one or more persons that is not affiliated with Apollo to review or approve of an intended course of action with respect to such matter; (iii) consulting with the Client on such matter or otherwise requesting that the limited partners (or an advisory board) approve such matter; (iv) establishing ethical screens or information barriers to separate Apollo investment professionals or assigning different teams of Apollo investment professionals, in each case, who are supported by separate legal counsel and other advisers, to act independently of each other in representing different Clients or Clients that hold different classes, series or tranches of an issuer's capital structure; (v) as between two Clients, ensuring (or seeking to ensure) that the underlying investors therein own interests in the same securities or financial instruments and in the same proportions so as to preserve an alignment of interest; or (vi) causing a Client to divest itself of a security or financial instrument or particular class, series or tranche of an issuer's capital structure it could otherwise have held on to, including causing a Client to sell a security or financial instrument to one or more other Clients (or vice versa), limited partners or investors in such other Client. There can be no assurance that any of these measures will be feasible or effective in any particular

situation, and it is possible that the outcome for the Client will be less favorable than could otherwise have been the case if Apollo had not had duties to other Clients.

The Apollo Credit Managers recognize that conflicts arise under such circumstances and will endeavor to treat all Clients fairly and equitably. To that end, the Apollo Credit Managers have adopted Apollo's policies and procedures, which are designed to address such potential conflicts of interest. The application of such policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure), and as such, investors should expect some degree of variation, and potentially inconsistency, in the manner in which potential or actual conflicts are addressed. The Apollo Credit Managers intend to resolve such situations in an impartial manner, but there can be no assurance that their own interests will not influence their conduct.

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

*Loan Participations; Assignments.* From time to time, certain Clients could offer to other Clients participations in and/or assignments or sales of loans and other securities that the Client has originated or purchased. In the event of such an offer to other Clients, the price of the participation, assignment or sale will not be set by the Apollo Credit Manager or general partner but rather will be established based on third-party valuations. In determining the target amount to allocate to a particular loan origination, the Client will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to third parties and to other Clients as described above. If the Client is not successful in offering such participations, assignments or sales, the Client will be forced to hold such excess until such time as it can be disposed. This could result in the Client being "overweighted" with respect to a particular borrower, issuer or company.

*Other Agreements and Arrangements.* The general partner, on its own behalf or on behalf of a Client, could enter into a side letter or similar written agreement with a limited partner without the approval of any other limited partner, that has the effect of establishing rights under, or altering or supplementing the terms of or confirming the interpretation of, the applicable Governing Documents in order to meet certain requirements or requests of such investor. Such other agreements will generally be based on such factors as the size of a limited partner's investment, a limited partner's existing relationships with Apollo or any particular regulatory or legal considerations applicable to a limited partner, but the general partner could enter into such other agreements for any reason it deems necessary, advisable, desirable or convenient. As a result, returns could vary from limited partner to limited partner depending on any arrangements applicable to a given limited partner's investment in the Client. The general partner will not be obligated to offer or disclose such terms to any other limited partner.

The Apollo Credit Managers and their affiliates could enter into arrangements from time to time with third-party service providers and suppliers to facilitate the negotiation of terms that are more favorable than those that any individual Client or portfolio investment could obtain for itself. Examples include, but are not limited to, fee discounts or bulk purchasing programs that leverage the combined purchasing power of portfolio investments and Apollo. While the Apollo Credit Managers believe that all Clients benefit from these arrangements, they could involve conflicts of interest between Clients and/or between Clients and Apollo. For example, a small portfolio investment owned by one Client could benefit from the purchasing power of a larger portfolio investment owned by another Client; or Apollo could benefit from a discount (e.g., for office supplies or travel services) that was negotiated on the basis of the combined purchasing power of Apollo and portfolio investments owned by Clients.

The Apollo Credit Managers and their affiliates could also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow Apollo, its Clients and its Clients' portfolio investments to better discern economic or other trends and developments. The Apollo Credit Managers believe that all Clients benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across Apollo's businesses and its Clients' portfolio investments. However, information sharing could involve conflicts of interest between Clients and/or between Clients and Apollo. For example, data analytics based on inputs from one portfolio investment could inform business decisions by other portfolio investments, or investment decisions by the Apollo Credit Managers and their affiliates, without the source of the data being directly compensated. The Apollo Credit Managers and their affiliates could utilize such data outside of Client activities in a manner that could provide a material benefit to Apollo, without directly compensating or otherwise benefiting Clients. As a result, Apollo could have an incentive to pursue investments (on its own behalf or on behalf of Clients) based on the data that could be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits Apollo and/or investments held by other Clients. It is impractical, and in many cases impossible, to measure exactly the benefits that any individual entity could derive from these kinds of arrangements, or to provide for specific and direct monetary compensation from the recipients of a particular benefit to the sources of the data or the purchasing power (as applicable) that enabled the benefit to be obtained. As a result, Clients could not be directly compensated for their role in obtaining such benefits, and any such benefits that Apollo receives will not be subject to management fee offset provisions or otherwise shared with Clients. However, the Apollo Credit Managers believe that these arrangements provide benefits for all Clients that would not be obtainable without the conflicts of interest that they entail, and that on the whole the benefits of such arrangements exceed any impact of such conflicts.

*Co-Investor Risks.* The economic participation of Co-Investors in an investment opportunity could be substantial and could involve greater risks than an investment in which there are no Co-Investors. The risks could be even greater where the Co-Investors are not other Clients or persons with whom Apollo has a pre-existing relationship. For example, it is possible that a Co-Investor could at any time (a) have economic or business interests or goals that are inconsistent with those of an Apollo Credit Manager; (b) take a different management or macro view from an Apollo Credit Manager for the investment; or (c) be in a contractual position to take actions contrary to what the Apollo Credit Manager would have done in such circumstance had it been able to control

the decision. In addition, Clients could in certain circumstances become liable for the actions or omissions of Co-Investors (by way of example, and without limitation, (i) in connection with indemnification obligations to the extent jointly assumed by Clients and Co-Investors, (ii) with respect to actions or omissions of Co-Investors resulting in fees, costs or expenses that are not borne by such Co-Investors which could occur under a variety of circumstances, (iii) to the extent a Co-Investor fails to meet its capital obligations and (iv) to the extent such Clients are deemed to have been acting as agents (or are deemed to be acting with the apparent authority) of such Co-Investors.

*Bridge Financings.* From time to time, Clients could provide interim financing to portfolio investments or could “underwrite” co-investment capital in order to facilitate an investment, typically on a short-term and unsecured basis in anticipation of a future issuance of equity or long-term debt securities, repayment, refinancing or “sell-down” to Co-Investors. For reasons not always in a Client’s control, such bridge financings could not be repaid, refinanced or “sold-down” to Co-Investors or such equity or long-term debt securities could not be issued to Clients, in which case, the Client’s exposure to the applicable investment could be larger than originally intended or desired and such bridge financings could remain outstanding. Furthermore, the interest rate (if any) on a bridge financing could not adequately reflect the risk associated with the unsecured position taken by the Client.

*Additional Capital.* Clients can be expected to make additional investments for, among other reasons, the funding of add-on acquisitions or repayment of indebtedness by a portfolio investment or other obligations, contingencies or liabilities to satisfy working capital requirements or capital expenditures or in furtherance of a portfolio investment’s or any of its subsidiaries’ or affiliates’ strategies. The amount of additional capital needed will depend upon the objectives of the Client and the particular portfolio investment. In addition, Clients could make additional debt and equity investments for purposes of, for example, exercising their pre-emptive rights or warrants or options or converting convertible securities that were issued in connection with an existing investment in such portfolio investment in order to, among other things, preserve the Client’s proportionate ownership when a subsequent equity or debt financing is planned, to protect the Client’s investment when, for example, such portfolio investment’s performance does not meet expectations, to enhance the value of an existing investment or in anticipation of disposition, refinancing, recapitalization or other transactions. There can also be no assurance that the portfolio investments will be able to predict accurately the future capital requirements necessary for success or whether or not additional funds will be needed or available from the Client or other financing source. There can be no assurance that Clients will make additional investments or that they will have sufficient funds or the ability to do so. Any decision by Clients not to make an additional investment or their inability to make such an investment could have a substantial negative impact on a portfolio investment in need of such an investment or could diminish the Client’s ability to influence the portfolio investment’s future development. The general partner of a Client is authorized to determine what constitutes an additional investment and the entities that comprise the portfolio investment for purposes of determining if an investment is an authorized additional investment under the circumstances. Potential conflicts of interest could arise in such circumstance.

*Strategic Relationship with the Athene Group.* The Athene Group is a retirement services company that issues, reinsures and acquires retirement savings products designed for individuals and

institutions seeking to fund retirement needs. The products and services offered by the Athene Group include fixed income and fixed indexed annuity products, reinsurance services offered to third-party annuity providers; and institutional products, such as funding agreements. In exchange for an advisory fee, Apollo provides asset management and advisory services to the Athene Group, including asset allocation services, direct asset management services, asset and liability matching management, mergers and acquisitions, asset diligence hedging and other asset management services. Apollo also provides sub-allocation services with respect to a portion of the Athene Group's assets and allocates such assets across Apollo Clients in a manner that often characterizes the Athene Group as a captive permanent capital vehicle in relation to Apollo's business. Additionally, Apollo and the Athene Group also have considerable overlap in ownership and, as a result, from time to time Apollo is or could be perceived to be able to, exercise significant influence over matters requiring shareholder approval relating to the Athene Group's business, including approval of significant corporate transactions, appointment of members of the Athene Group's management, election of directors, approval of the termination of the Athene Groups' investment management agreements and determination of Athene's corporate policies. As a result of the relationship between Apollo and the Athene Group, the Athene Group's participation (as well as the accounts or assets that it manages) in a Client is typically accompanied by strategic partnership treatment (as discussed in Item 4 above) and in connection with investing the Athene Group's assets across Clients, Apollo grants the Athene Group certain preferential terms, including reduced management fee and carried interest rates that are lower than those applicable to the other limited partners, access to co-investment opportunities and other preferential terms, which in each case, are not subject to "most favored nations" treatment by other limited partners.

## **ITEM 11**

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

#### **Code of Ethics**

The Apollo Credit Managers have adopted Apollo's Code of Ethics (the "Code of Ethics"), which was designed to ensure compliance with Rule 204A-1 under the Advisers Act. The Code of Ethics applies to all partners, principals, directors, officers, employees and supervised persons of Apollo (each, a "Covered Person"). The Apollo Credit Managers strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Code of Ethics incorporates the following general principles that all Covered Persons are expected to uphold:

- (i) Covered Persons must at all times place the interests of Clients first;
- (ii) all personal securities transactions must be conducted in a manner consistent with the Code of Ethics and any actual or potential conflicts of interest or any abuse of a Covered Persons' position of trust and responsibility must be avoided;
- (iii) Covered Persons must not take inappropriate advantage of their positions;
- (iv) information concerning the identity of securities and financial circumstances of the Clients, including investors in Clients, must be kept confidential; and



- (v) independence in the investment decision-making process must be maintained at all times.

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

### **Personal Trading Restrictions**

The Code of Ethics requires that Covered Persons' personal investment activities comply with all applicable laws and regulations. In addition, Covered Persons are required to obtain prior approval for all securities transactions (including, but not limited to, investments in private placements and limited offerings) other than those involving: government and municipal securities; certain exchange-traded funds and closed-end funds; certain mutual funds (i.e., open-ended investment companies); variable annuities; commodities; and transactions in fully-managed accounts. Covered Persons are prohibited from purchasing securities in initial public offerings.

The Code of Ethics provides that approval will not be granted for securities of companies on Apollo's restricted list. Further, approval will not be granted for short sales and proposed transactions in securities of companies with a market capitalization for the outstanding equity on the date of the trade request of more than \$100 million and less than \$10 billion. This "market cap rule" could be changed from time to time.

### **Personal Securities Holdings and Transaction Reports**

Subject to limited exceptions, each Covered Person must periodically submit to Apollo Compliance or electronically through Apollo's personal trading system a report of the holdings and transactions in the accounts in which the following persons have a direct or indirect beneficial ownership interest or over which the following persons exercise any investment control, influence or discretion: (i) the Covered Person; (ii) any member of the Covered Person's immediate family and to whose support the Covered Person significantly contributes, which may include the Covered Person's spouse, children, stepchildren, grandchildren, parents, grandparents, stepparents, siblings and persons with whom a Covered Person has an adoptive or in-law relationship; or (iii) any other person to whom the Covered Person significantly contributes (each individual identified in clauses (ii) and (iii) a, "Relevant Person").

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

The transaction reports must contain, at a minimum: (i) the date of the transaction, the title and, as applicable, the exchange ticker symbol or CUSIP number, the interest rate and maturity date, the number of shares and the principal amount of each reportable security involved; (ii) the nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition); (iii) the price of the security at which the transaction was executed; (iv) the name of the broker, dealer, bank or other financial institution with or through which the transaction was executed; (v) if not executed

through a broker, dealer or bank or other financial institution, the location of the securities and a description of how the transaction was executed; and (vi) the date that the Covered Person submits the report.

For non-U.S. employees, submission to Apollo Compliance of a duplicate copy of the most recent periodic financial institution statements of the Relevant Persons will be sufficient to fulfill the holdings and transactions report requirement if such statements include all required information for all securities. Apollo Compliance will ensure that duplicate account information for all accounts of Relevant Persons is sent directly to Apollo Compliance or electronically through Apollo's personal trading system.

The Code of Ethics requires each Covered Person to certify, on at least an annual basis, as to the accuracy and completeness of his or her reports of securities holdings and transactions.

### **Material Non-Public Information**

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

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

### **Other Provisions of the Code of Ethics**

Covered Persons are subject to additional standards of conduct relating to the use of funds and property, conflicts of interest and opportunities belonging to Clients, managing investments of related parties and general standards of conduct, including the conduct expected when dealing with Clients and the investors in Clients. In addition, Covered Persons are subject to Apollo's anti-money laundering procedures. Covered Persons are required to certify periodically that they have

complied with the terms of the Code of Ethics. Violations of the Code of Ethics are subject to the imposition of sanctions, up to and including termination.

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

### **Cross Trades and Principal Transactions**

Apollo Credit Managers direct, from time to time and subject to applicable Client investment guidelines and restrictions, one Client to sell securities to another Client (or with other Apollo Funds) through a “cross trade.” Cross trades are generally executed as an “internal cross” where the Clients’ custodian(s) is instructed to book the transaction at a price determined in accordance with Apollo’s cross trade policies and valuation procedures. No fees will be charged by Apollo Capital Management or its affiliates to Clients in connection with the completion of a cross trade. In certain cases, cross trades are viewed as principal transactions due to the ownership interest in a Client by Apollo Capital Management.

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

To the extent that any cross trades or affiliate transaction described above could be viewed as a principal transaction due to the ownership interest in the Client of Apollo and its personnel, Apollo will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. Specifically, the applicable Apollo investment professionals must provide notice to, and obtain the approval of, Apollo Compliance, the Client’s portfolio manager and a member of Apollo Legal prior to executing a principal trade or cross trade. When reviewing a proposed principal trade or cross trade, Apollo Compliance will confirm, among other things: (i) that such trade is allowed by the applicable Client’s investment guidelines; (ii) that the Apollo Credit Manager’s valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate; and (iii) in the case of principal trades, that notice of the specific trade was provided to the relevant Client and written consent from the Client was obtained.

Clients could also have the opportunity to engage in commercial or consumer loan transactions provided or sponsored by an affiliate of the Apollo Credit Managers. There could be potential conflicts of interest relating to these transactions.

### **Family Offices**

Apollo’s three founders (the “Founders”) have established family offices (each, a “Family Office” and collectively the “Family Offices”) to provide investment advisory, accounting, administrative and other services to their respective family accounts (including certain charitable accounts) in connection with their personal investment activities unrelated to their investments in Apollo entities. The investment activities of the Family Offices and the involvement of the Founders in these activities give rise to potential conflicts between the personal financial interests of the Founders and the interests of Apollo Clients (for example, if the Family Offices were to hold debt obligations or securities in a portfolio investment in which an Apollo Client owned equity or

subordinated debt and that was experiencing financial distress). The Apollo Credit Managers have adopted certain of Apollo's procedures designed to mitigate some of these potential conflicts (for example, by requiring investment professionals employed by the Family Offices to refrain from making direct investments in portfolio investments that are controlled by Apollo Clients or that are the subject of announced transactions involving Apollo Clients).

Each of the Family Offices employs its own professional staff at its own expense, and each of them conducts its day-to-day operations independently of Apollo. Set forth below is a summary of certain procedures that are currently in place for certain categories of investments in which the Family Offices can participate:

- (i) **Liquid Credit Investments.** The Founders generally do not participate in decisions to invest in, nor do they have investment discretion with respect to, liquid credit investments by their respective Family Offices. To the extent a Founder does not provide guidance or participate in investment decisions with respect to liquid credit investments, its respective Family Office may participate in such investments provided that the Family Office certifies to Apollo Compliance, on a quarterly basis, that it was not directed by its respective Founder to buy, sell or vote on any such liquid credit investments. To the extent a Founder were to provide guidance or participate in investment decisions with respect to liquid credit investments on behalf of its respective Family Office, such investment opportunities would first be reviewed by Apollo Compliance for potential conflicts of interest, including for possible allocation to Apollo Clients.
- (ii) **Illiquid, Private Investments (Equity and Debt) and Public Equities.** The Founders may provide guidance or participate in investment decisions on behalf of their respective Family Offices in connection with illiquid, private investments and public equities. These investment opportunities are reviewed by Apollo Compliance for potential conflicts of interest, including for possible allocation to Apollo Clients.

These procedures are designed to seek to mitigate conflicts of interest; however, there will be situations where a Family Office, with respect to certain asset classes, reviews and invests in investment opportunities that overlap with the mandates of Apollo Clients. These procedures can be revised by Apollo at any time without notice to, or consent from, the Client's advisory board or limited partners.

### **Potential Duties to AGM Stockholders**

The Apollo Credit Managers are affiliates of AGM. The shares of Class A common stock of AGM are publicly traded on the New York Stock Exchange. As a result, the Apollo Credit Managers have duties or incentives relating to the interests of AGM's stockholders that could differ from, and that could conflict with, the interests of their Clients and their investors, such as conflicts arising from the allocation of expenses, fee offsets and investment opportunities (including without limitation, opportunities in the asset management and financial services industries). The Apollo Credit Managers will endeavor to resolve such conflicts in a manner they deem fair and equitable to the extent possible under the prevailing facts and circumstances. The Apollo Credit Managers will seek to allocate investment opportunities in the asset management and financial services industries between Apollo and Clients in accordance with their respective Governing Documents

and after evaluating the facts and circumstances of such opportunities. Such investment opportunities could be reviewed by the AGM Allocations Committee. In the past, the application of such policies has resulted in the allocation by Apollo of certain investment opportunities relating to the investment management business to Apollo rather than to Clients (e.g., the acquisition of other financial service businesses), and Apollo could allocate such opportunities in a similar manner in the future.

## **ITEM 12**

### **Brokerage Practices**

#### **Execution**

Apollo Credit Managers have absolute discretion in selecting brokers to execute portfolio transactions and must use reasonable diligence to ascertain the best market price for all securities bought or sold in that market so that the price to the Clients is as favorable as possible under prevailing market conditions. The determinative factor is not always the lowest possible per security price or commission, but whether the transaction represents the best qualitative and quantitative execution for the Client. The Apollo Credit Managers consider the full range of a broker's services in assessing best execution and could not pay the lowest commission rates available.

The Apollo Credit Managers consider the following factors in selecting brokers for portfolio transactions:

- (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- (iii) the financial strength, integrity and stability of the broker;
- (iv) the broker firm's risk in positioning a block of securities;
- (v) the quality, comprehensiveness and frequency of available research services; and
- (vi) the competitiveness of commission rates in comparison with other brokers satisfying the Apollo Credit Managers' other selection criteria.

The Apollo Credit Managers are not required to weigh any of these factors equally.

The Apollo Credit Managers could invest on behalf of Clients in senior loans, debt securities, derivatives, hedges and other instruments, which typically do not involve brokers or brokerage commissions. In the case of loans, an assignment fee is often charged by the administrative agent for a particular loan and fees could be payable when buying and selling bank loans. The Apollo Credit Managers could buy or sell securities directly from or to dealers acting as principal at prices that include markups or markdowns and could buy securities from underwriters or dealers in public offerings at prices that include compensation of the underwriter or dealer.

## **Soft Dollars**

The Governing Documents of certain Apollo Credit Funds authorize the use of “soft dollars.” The term soft dollars refers to the receipt by Apollo Credit Managers of products and services provided by brokers without any cash payment by Apollo Credit Managers, based on the volume of revenues generated from brokerage commissions for transactions executed for Apollo Credit Funds. Apollo Credit Managers do not enter into formal soft dollar arrangements with broker-dealers. The Apollo Credit Managers in the ordinary course could receive unsolicited research products and brokerage services from full service broker-dealers as part of their full range of services. Such unsolicited materials could benefit Clients and therefore could be construed as soft dollars.

Section 28(e) of the Securities and Exchange Act of 1934 (the “Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to investment managers in the performance of their investment decision-making responsibilities. Although certain Apollo Credit Managers have the discretion to use soft dollars to obtain services and products that would not be within the safe harbor afforded by Section 28(e) of the Exchange Act and for which it would otherwise be required to pay in cash, they have no plans to do so, and will notify the Apollo Credit Funds of any change to that policy.

Consistent with Section 28(e) of the Exchange Act, research products or services obtained by brokers for execution of transactions in connection with one or more Clients could be used by an Apollo Credit Manager or another Apollo Manager to service one or more other clients, including clients that could not have paid for the benefits. Apollo Credit Managers do not seek to allocate such benefits to their Clients in proportion to the amount of transactions each Client generates.

## **Order Aggregation**

If an Apollo Credit Manager determines that the purchase or sale of the same security is in the best interest of more than one Client, the Apollo Credit Manager could, but is not obligated to, aggregate orders in order to reduce transaction costs. When an aggregated order is filled through multiple trades at different prices from the same time period within a trade day, each participating Client will receive the average price with transaction costs allocated pro-rata based on the size of each Client’s participation in the order (or allocation in the event of a partial fill) as determined by the Apollo Credit Manager. In the event of a partial fill, allocations generally will be made pro-rata based on the initial order, but could be modified on a basis that the Apollo Credit Manager deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. This could result in allocations of certain investments on other than a pro-rata basis. See Item 6 for additional information on investment allocations.

## **ITEM 13**

### **Review of Accounts**

The portfolio managers across Clients managed by the Apollo Credit Managers engage in ongoing monitoring of each investment. In addition, the Apollo Credit Managers conduct thorough, periodic reviews of Client accounts to assess trends that impact an individual investment’s ability

to generate cash, profitability, asset values, financing needs, potential liability and ability to service any debts.

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

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

#### **ITEM 14**

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

The general partner of a Client enters into arrangements with, and compensates, unaffiliated third parties for investor referrals to the Client. The existence of these solicitation arrangements, as well as certain terms thereof, including the fact that such third parties are compensated, will be disclosed to affected investors. Generally, the terms of such arrangements will vary and allow the general partner of the Client to cause the applicable Client to pay the placement agent a fee equal to a percentage of one or more of the following items, in each case, with respect to the relevant investors placed by such third party: capital contributions, Management Fees, incentive compensation or net asset value. Such arrangements are also expected to provide that the Apollo Manager reimburse the placement agent for certain expenses incurred by it in connection with such arrangements, which could include expenses incurred by the placement agent in establishing and operating vehicles to facilitate their placed investors’ participation in Clients; in such circumstance, the Client could be obligated to bear such expenses. In these cases, and where contemplated by the applicable Governing Documents of the Client, the applicable Apollo Credit Manager reduces its Management Fee on a dollar-for-dollar basis to the extent any such placement agent fees and related costs and expenses are borne by the Client.

#### **ITEM 15**

##### **Custody**

Under the Advisers Act Rule 206(4)-2, the Apollo Credit Managers are deemed to have custody of the assets of certain Clients. These Clients receive annual audited financial statements from an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. These annual audited financial statements are then distributed to all investors no later than 120 days after the end of the applicable Client’s fiscal year-end.

ISG Clients receive account statements on a quarterly or more frequent basis from their applicable custodians. ISG Clients should carefully review those account statements and are urged to compare those account statements to other statements they receive or have access to electronically,

including statements provided by ISG, if any. ISG also has custody of certain of its Clients' funds and securities verified by actual examination at least annually by an independent public accounting firm at a time chosen by the accounting firm without prior notice to ISG (a "Surprise Examination"). The accounting firm's report concerning the Surprise Examination is publicly available on the Form ADV-E at the website provided on the cover page of this Brochure.

## **ITEM 16**

### **Investment Discretion**

For most accounts, the Apollo Credit Managers have full discretionary authority with respect to investment decisions, and their advice with respect to the Clients is provided in accordance with the investment objectives and guidelines as set forth in the applicable Governing Documents. The Governing Documents of Clients place limitations on the Apollo Credit Managers regarding their management of Clients, including: (i) the number of portfolio investments that Clients acquire; (ii) the size of portfolio investments; (iii) the amount of leverage that Clients use to acquire portfolio investments; and (iv) the percentage of portfolio investments acquired by Clients that are organized and operated primarily outside of the U.S.

Limited partners of a Client could also negotiate with the general partners in side letter agreements for more specific limitations applicable to the limited partner, such as prohibited investments in specified countries, that could result in such limited partner (but not the Client itself) not participating in such prohibited investments. Apollo Capital Management is delegated the authority to consummate investments on behalf of Clients by the terms of the Governing Documents entered into between a Client and the relevant Apollo Credit Manager.

Similarly, the Apollo Credit Managers' investment decisions and advice with respect to a managed account will be in accordance with the investment objectives and guidelines in such managed account's Management Agreement, as well as any other instructions provided by the Client to the applicable Apollo Credit Manager. For certain separately managed accounts, Apollo provides non-discretionary investment advice. Non-discretionary investment advice is also provided in accordance with the relevant account's Management Agreement, as well as any other instructions provided by the Client to the applicable Apollo Credit Manager.

## **ITEM 17**

### **Voting Client Securities**

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

The Apollo Credit Managers have adopted Apollo's policies and procedures which they believe are reasonably designed to ensure that the Apollo Credit Managers vote proxies, or elect not to vote proxies, in the best interests of their Clients. For example, if an Apollo representative sits on



the board of directors of a portfolio company that is the subject of a proxy, Apollo Compliance will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between the applicable Apollo Credit Manager and the interests of its Client or between such Apollo Credit Manager and the portfolio company shareholders. If a material conflict of interest is identified, Apollo Compliance will take such steps as it deems necessary to determine how to vote the proxy in the best interests of the Client, including, but not limited to, consulting with Apollo Legal, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio company.

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

### **ITEM 18**

#### **Financial Information**

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