



ARES COMMERCIAL REAL ESTATE MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2023

This brochure provides information about the qualifications and business practices of Ares Commercial Real Estate Management LLC (“ACREM” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 202.721.6180 or mkrieger@aresmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about ACREM also is available on the SEC’s website at: www.adviserinfo.sec.gov

Registration with the SEC as an investment adviser does not imply that ACREM or any principals or employees of ACREM possess a particular level of skill or training in the investment advisory or any other business.

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Item 2 - Material Changes

ACREM makes changes throughout its brochure in an effort 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. While ACREM does not believe that these changes are material, ACREM has made updates to this brochure to enhance certain disclosures and provide additional information regarding: (i) the investment strategies managed by ACREM; (ii) the allocation of investments among our Clients; (iii) certain risks of investing in our Clients; (iv) potential activities of ACREM's affiliated broker-dealer; and (v) potential conflicts of interest that may arise in the course of our investment and other activities.

Item 3 - Table of Contents

Item 1 – Cover Page.....	—
Item 2 - Material Changes.....	2
Item 3 - Table of Contents	3
Item 4 - Advisory Business.....	4
Item 5 - Fees and Compensation.....	5
Item 6 - Performance-Based Fees and Side-by-Side Management	13
Item 7 - Types of Clients	17
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss	18
Item 9 - Disciplinary Information	39
Item 10 - Other Financial Industry Activities and Affiliations.....	39
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	42
Item 12 - Brokerage Practices.....	44
Item 13 - Review of Accounts	45
Item 14 - Client Referrals and Other Compensation	45
Item 15 – Custody	46
Item 16 - Investment Discretion	47
Item 17 - Voting Client Securities	47
Item 18 - Financial Information.....	48

Item 4 - Advisory Business

ACREM is a Delaware limited liability company that was formed in July 2011 and commenced operations in August 2011. ACREM is a wholly owned subsidiary of Ares Management LLC ("Ares Management"), an SEC-registered investment adviser and subsidiary of Ares Management Corporation ("Ares Corp"), a publicly traded, leading global alternative investment manager. The indirect principal owner of Ares Corp is Antony P. Ressler who, together with certain other members of the senior management team of Ares Corp, indirectly controls Ares Corp through intermediate holding companies.

ACREM provides investment advisory services to its clients, which are comprised of various pooled investment vehicles, including public and private investment funds, co-investment vehicles and joint ventures (collectively, the "Funds"), other separately managed accounts and other institutional clients (together, with the Funds, the "Clients"). ACREM may in the future provide advisory services to other single investor funds, collateralized loan obligations ("CLOs"), collateralized debt obligations ("CDOs") and other structured vehicles, special purpose vehicles, alternative investment vehicles and feeder vehicles. ACREM serves as the investment adviser on a discretionary basis to Ares Commercial Real Estate Corporation ("ACRE"), a public specialty finance company that has elected to be classified as a real estate investment trust ("REIT") for federal income tax purposes. ACRE's common stock is listed on the New York Stock Exchange, or "NYSE", under the symbol "ACRE". ACREM also serves as the investment adviser on a discretionary basis to Ares Real Estate Income Trust Inc. ("AREIT") and Ares Industrial Real Estate Income Trust Inc. ("AIREIT"), each of which is a publicly registered non-traded REIT (together, our "Non-Traded REITs"). We refer to our Clients other than ACRE and the Non-Traded REITs as our "Private Clients."

ACREM, or an affiliated entity controlled by ACREM, serves as investment adviser, or manager of each of its Clients. References to ACREM in this brochure include, as the context requires, affiliates through which ACREM provides investment advisory services or that act in any capacity referenced in the above sentence.

The underlying investors of our Private Clients are generally either accredited investors and qualified purchasers (as noted in Item 7 below) or non-U.S. persons, depending on the applicable eligibility requirements of the respective Client. We refer to the investors in our Clients collectively as the "Underlying Investors."

ACREM's investment advisory business is focused on real estate equity and debt investing, including investing in real property and income-producing real estate assets, and originating, investing in, managing and servicing commercial real estate debt-related investments, including senior mortgage loans, subordinated debt, preferred equity, mezzanine loans, and other commercial real estate related investments. Its advice is primarily limited to real estate-related investments, and ACREM tailors its advisory services to the specific investment objectives and restrictions of each Client that ACREM manages directly or indirectly through its affiliates.

ACREM's investment advisory business is served by dedicated equity and debt teams within Ares Management's Real Assets Group. Our real estate strategy collaborates frequently within and across strategies to enhance sourcing, exchange information to inform underwriting and leverage

relationships to drive pricing power. Our real estate equity team focuses on core/core-plus, value-add and opportunistic investing, while our real estate debt team focuses on directly originating a wide range of financing opportunities in the U.S. and Europe. Please see “*Item 8. Methods of Analysis, Investment Strategies and Risk of Loss*” for further discussion of ACREM’s investment strategies and Ares Management’s real estate strategy.

With respect to investments in certain assets, to achieve increased tax efficiency, one or more of ACREM’s Clients may make such investments indirectly through subsidiary entities that elect to be taxed as real estate investment trusts for U.S. federal income tax purposes.

Investment advice is provided directly to our Clients, subject to the discretion and control of ACREM or the applicable general partner, and not individually to the Underlying Investors. ACREM tailors its advisory services to the specific investment objectives and restrictions of each Client pursuant to the investment guidelines and restrictions set forth in each Client’s applicable public filings, confidential private placement memorandum, prospectus, limited partnership agreement, advisory agreement, management agreement and other governing documents (the “Governing Documents”). Underlying Investors and prospective investors should refer to the applicable Governing Documents for complete information on the investment objectives, investment restrictions and risks of such Client. Prior performance, while illustrative of ACREM’s investment philosophy and experience, is not indicative of future performance and there is no assurance that any investment objectives will be achieved.

In accordance with common industry practice, ACREM or a Client’s general partner, managing member, investment adviser, sub-adviser or manager may enter into “side letters” or similar agreements pursuant to which certain Underlying Investors are granted specific rights, benefits, or privileges (including, without limitation, with respect to differences, including discounts to and/or sharing of, management fees, performance allocations, performance hurdles, withdrawals, access to information, minimum investment amounts, co-investment opportunities, reporting obligations, and other rights or terms including those that may be requested in light of particular investment, legal, regulatory or public policy characteristics of an investor). These rights, benefits or privileges are not always made available to all Underlying Investors nor in some cases are they required to be disclosed to all Underlying Investors. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents.

ACREM does not participate in any wrap fee programs.

As of December 31, 2022, ACREM had regulatory assets under management (“RAUM”) of approximately \$26,452,966,597, of which \$717,933,868 is managed on a non-discretionary basis. RAUM is calculated by aggregating the gross value of all securities accounts for which ACREM provides continuous and regular supervisory or management services.

Item 5 - Fees and Compensation

Compensation and Fee Schedules

In general, ACREM receives a management fee in connection with the advisory services provided to each Client. The information below summarizes the compensation that ACREM receives;

however, all Underlying Investors and prospective investors should carefully review the Governing Documents of each applicable Client in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Client.

Underlying Investors in our Private Clients are generally all “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and, as such, information regarding the fees and compensation payable by such Underlying Investors is not required to be provided herein.

Different Clients are subject to different advisory fees as compensation for the investment advisory services rendered to the applicable Client (each, an “Advisory Fee”). The precise amount of, and the manner and calculation of, the Advisory Fees for each Client are intended to be reflective of the underlying investment mandate and associated investment risks of the Client and are established by ACREM. Advisory Fees are set forth in each Client’s Governing Documents. Fees charged to some Clients may differ from fees charged to other Clients; in those and other situations, such differences are subject to separately negotiated terms and may (or may not) be disclosed to other Clients or Underlying Investors. In certain circumstances, the Advisory Fees payable to ACREM by Underlying Investors of a Client will vary among such Underlying Investors (e.g., based on size of commitment, aggregate commitments to the Client, timing of admission or otherwise) and may be negotiable. Ares Management has entered into strategic relationships with investors and intends to continue to enter into strategic partnerships whereby an investor will commit to invest capital in or to provide sponsor capital to various existing and new strategies managed by Ares Management and its affiliates, including ACREM, as well as co-investment opportunities alongside current or prospective Clients. Underlying Investors participating in co-investment opportunities are expected to bear less overall fee impact relative to their exposure to assets held by Clients. In connection with these agreements, strategic partners are expected to pay overall lower fees than other Underlying Investors in our Clients. Moreover, employees and certain business associates and “friends and family” of ACREM, Ares Management or its employees generally will not pay an Advisory Fee or performance-based compensation with respect to their direct or indirect investments in each Client.

Advisory Fees paid by a Client are indirectly borne by its Underlying Investors. Underlying Investors and prospective investors should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees and that the allocable share of Advisory Fees paid by a Private Client may differ among Underlying Investors of the same Client (or a similar Client).

From time to time, a Client may purchase an interest in another Client, provided that the sale or purchase is consistent with ACREM’s fiduciary obligations to each Client party to such transaction and is otherwise consistent with the investment mandate of each such Client. While ACREM endeavors at all times to act in the best interests of all Clients, Underlying Investors should be aware that ACREM’s receipt of compensation from each Client and the contribution of additional capital by one Client account to another Client account may create potential conflict of interest with respect to such transactions. In certain circumstances, ACREM may choose to reduce or offset the advisory fees of a Client investing in another Client by the amount of advisory fees applicable to the Client’s investment in such other Client.

Private Client Management Fees

ACREM generally receives an annual management fee from its Private Clients based upon a percentage of the Client's capital commitments, contributed capital, net asset value or invested capital during the term of the account. With respect to Clients for which management fees are based upon a percentage of the Client's capital commitments, contributed capital or invested capital, the amount of management fees payable typically will not correspond with fluctuations in the Client's net asset value, including following the Client's investment period. Pursuant to the terms of each Client's Governing Documents, the management fee may change at the end of a Client's investment period or in connection with the raise of a successor fund.

A Client's Governing Documents set forth the terms under which management fees will be reduced, offset or otherwise be limited, and Underlying Investors should expect to bear the full specified management fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein. Except where the Governing Documents expressly provide to the contrary, management fees for Clients will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments.

ACRE Management Fees

ACRE pays ACREM a base management fee in an amount equal to 1.5% of ACRE's stockholders' equity, per annum, calculated and payable quarterly in arrears in cash. For purposes of calculating the base management fee, ACRE's stockholders' equity means: (a) the sum of (i) the net proceeds from all issuances of ACRE's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (ii) ACRE's retained earnings at the end of the most recently completed fiscal quarter determined in accordance with GAAP (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) (x) any amount that ACRE pays to repurchase ACRE's common stock since inception, (y) any unrealized gains and losses and other non-cash items that have impacted stockholders' equity as reported in ACRE's financial statements prepared in accordance with GAAP, and (z) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between ACREM and ACRE's independent directors and approval by a majority of ACRE's independent directors. As a result, ACRE's stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on ACRE's financial statements. The management fee is payable independent of the performance of ACRE's portfolio.

Non-Traded REIT Management Fees

Our Non-Traded REITs pay ACREM a base management fee, payable monthly in arrears, that accrues monthly in an amount ranging from 1/12th of 1.10% to 1/12th of 1.25% of (a) the applicable monthly net asset value per "Fund Interest" (defined as outstanding shares of the Non-Traded REIT's common stock and partnership units in its operating partnership held by third parties) times the weighted-average number of Fund Interests for such month and (b) the consideration received by such Non-Traded REIT or its affiliates for selling interests in "DST Properties" (defined as properties that are of part of a program to raise capital through private placement offerings by selling beneficial interests in specific Delaware statutory trusts holding real properties (the "DST Program")) to third party investors, net of up-front fees and expense reimbursements payable out of gross sale proceeds from the sale of such interests.

In connection with private placement offerings under the DST Program sponsored by indirect subsidiaries of our Non-Traded REITs, our Non-Traded REITs perform management services for each Delaware statutory trust in the DST Program. ACREM receives a fee equal to 1.0% of the gross rents payable by the master tenant to the Delaware statutory trust as landlord in connection with the assignment of the Non-Traded REITs' rights and obligations as manager to ACREM.

Performance-Based Fees

ACREM also typically receives performance-based compensation from certain Clients as described further in "*Item 6. Performance-Based Fees and Side-by-Side Management.*"

Deduction of Fees; Timing of Payments; Termination

For each Client, ACREM is authorized under the Governing Documents to charge and deduct Advisory Fees directly from the assets of the Client at the times and in the amounts set forth in the Governing Documents. Advisory Fees are generally paid by each Client by (i) requiring Underlying Investors in such Client to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the Underlying Investors in such Client. Advisory Fees are then paid by the applicable Client to ACREM or one of its affiliates. In addition, ACREM in many cases has the ability to cause Clients to borrow money the proceeds of which may be used for the payment of such fees.

Base Advisory Fees for certain of ACREM's Clients are payable in arrears, generally on a quarterly or monthly basis. Because such Advisory Fees are payable in arrears, they are not paid until after services have been rendered. With respect to certain other Clients, Advisory Fees are payable quarterly in advance. Please refer to the applicable Governing Documents for more complete information on the timing of Advisory Fee payments.

Clients have the right to terminate ACREM's advisory services in accordance with the terms of the applicable advisory or investment management agreements. ACREM's general practice is to repay any Advisory Fees paid in advance in excess of the pro rata portion earned by ACREM (based on the number of days during the period) through the effective date of termination. Any such refund would be implemented through a wire transfer of funds to the affected Client upon termination of ACREM's advisory services.

Other Fees and Expenses

Certain of our Clients pay an administrative fee typically ranging from 0.025% to 0.15% per annum on invested capital, as outlined in each Client's Governing Documents. As set forth in AIREIT's Governing Documents, ACREM may receive a development fee from AIREIT in connection with providing services related to the development, construction, improvement or stabilization, including tenant improvements, of development properties or overseeing the provision of these services by third parties on behalf of AIREIT. The development fee is generally equal to 4.0% of total project cost of the development property (or AIREIT's proportional interest therein with respect to real property held in joint ventures or other entities that are co-owned).

ACREM, from time to time, incurs fees, costs, and expenses for the account or benefit of more than one Client. Under these circumstances, each such Client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in or

commitment to the activity or entity to which such expense relates (subject to the terms of each Client's Governing Documents) or in such other manner as ACREM considers fair and equitable under the circumstances. In the event that a Client's Governing Documents do not permit the payment of a particular expense, ACREM will bear the amount allocable to such Client. In certain other circumstances, ACREM elects to bear expenses that a Client's Governing Documents permit the Client to bear. The differences in expenses borne by Clients, even with overlapping investment strategies, are subject to separately negotiated Governing Documents and are typically not disclosed among all Clients. ACREM endeavors to allocate such fees, costs, and expenses on a fair and equitable basis.

There are four general categories of fees and expenses allocated to and among Clients. These categories are: (1) Organizational Expenses; (2) Administrative Expenses; (3) Sourcing and Diligence Expenses; and (4) Oversight Expenses. Please refer to the individual Client Governing Documents for more detailed information related to the type of fees and expenses that will be charged or allocated to a particular Client.

Organizational Expenses. These expenses are related to the organization of Clients and related entities and the costs of negotiating and entering into the Clients' Governing Documents. Organizational Expenses are not directly related to operating or administering Clients or sourcing investments. Each Client, subject to its Governing Documents, will typically pay or otherwise bear (generally up to an agreed amount) all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or pre-marketing and sale of interests in, such Client, its general partner or similar person and/or investment manager, including (but not limited to):

- commissions, costs, and all out-of-pocket legal, accounting, tax, filing, regulatory compliance, capital raising, printing, electronic database, state and local formation;
- commissions, costs, fees and expenses of any placement agent or finder, to the extent permitted under the applicable Governing Documents;
- "blue sky" filings costs or similar non-U.S. filings and distributions;
- foreign registrations and foreign securities distributors;
- other related legal and organizational matters; and
- travel-related expenses (as defined below) in respect of the foregoing.

Administrative Expenses. In addition to the fees payable to ACREM and as set forth in the applicable Governing Documents, Clients typically pay or otherwise bear all or a portion of the fees, costs, expenses, and other liabilities arising in connection with their operation and administration (including the operation and administration of any parallel funds, subsidiaries, alternative investment vehicles and other special purpose vehicles). Examples of administrative expenses that a Client may pay or otherwise directly or indirectly bear include (but are not limited to):

- any sales or other taxes, fees, or government charges that may be assessed against the Client or ACREM or its affiliates in connection with the activities of such Client, including annual filing, franchise tax, registration and maintenance fees;

- capital payments, interest, fees, agent bank and other bank service fees and other expenses in respect of indebtedness for borrowed money and all costs and expenses associated with negotiating, structuring, entering into, maintaining and terminating any credit facility or other indebtedness for borrowing by a Client;
- computer software specific to the affairs of a Client and market data costs and research-related expenses, including, without limitation, news and quotation equipment, software, and services;
- expenses of holding meetings or conferences with Underlying Investors, whether individually or as a group reporting to a Client's Underlying Investors, including travel-related expenses;
- expenses of managing and operating a Client's properties;
- directors' fees;
- costs related to or in connection with any governmental or other inquiry, investigation, audit, proceeding or regulatory matter, litigation and threatened litigation involving a Client (including the amount of any judgments, settlements or fines paid in connection therewith) to the extent permitted by applicable law;
- indemnification obligations;
- fees, costs and expenses attributable to administrative, investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, operating advisors, compliance, independent director, custodial, depository and registration services provided to a Client;
- fees, costs and expenses relating to the holding and transacting of a portfolio investment, including, but not limited to, related press releases and other marketing activities respecting the portfolio investment;
- fees, costs and expenses relating to U.S. and non-U.S. filings and distributions, foreign registrations, foreign securities distributors, paying agents and other similar fees, costs and expenses;
- compliance with any applicable law, rule or directive, associated with the activities of the Client or ACREM in respect of the Client any regulatory requirement in any other jurisdiction (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, including, but not limited to, FATCA and Form PF filings and any compliance or filings related to such law, regulation or directive);
- premiums related to risk management services and insurance (including insurance to protect the Client, the general partner, the manager, ACREM, its affiliates and their respective officers, directors, employees, partners managers and members in connection with the activities of the Client);
- costs of dissolving and liquidating a Client's investment vehicles;
- costs of amendments to, and waivers, consents and approvals pursuant to, the Governing Documents;

- preparation, delivery and implementation of side letters and any related “most favored nations” election processes;
- costs of tax and audit services to a Client;
- fees, costs and expenses in connection with preparing financial statements and reports to Underlying Investors, tax returns, tax estimates, tax reporting or any other administrative, compliance or regulatory filings or reports or the provision of other information to Underlying Investors or other parties;
- fees, costs and expenses related to the presence of the Client, the general partner, the manager, Ares or its affiliates in jurisdictions in which the Client maintains subsidiary acquisition vehicles, holding vehicles or other special purpose entities of the Client, including internal and overhead costs of the manager or its affiliates such as accommodation, rental expense, office equipment, domiciliation fees, directors’ fees, the costs, including salaries, of personnel (including Ares Management employees) and other similar costs;
- administrative fees payable to the manager or its affiliates;
- costs and expenses of a Client’s advisory board or committee and its members and its activities attributable to the Client (including expenses incurred by members of the advisory board or committee in connection with attendance at annual and special meetings of the advisory board or committee);
- any extraordinary expense of the Client;
- appraisal and valuation of a Client’s and subsidiaries’ assets, including the cost of valuation review and assistance provided by third parties;
- legal fees, costs and expenses in connection with the foregoing; and
- transportation (which may include the use of private aircraft, including those owned by employees of Ares Management, car services, parking, etc.), accommodations, meals, and entertainment related to the foregoing (collectively, “travel-related expenses”).

Certain Clients will pay the cost of certain services that ACREM or Ares Management personnel provide (including a portion of compensation and overhead costs otherwise payable by ACREM), including, without limitation, administration, tax advisory, compliance, legal, finance and accounting and portfolio management and/or internal costs (including compensation and overhead costs). Such services typically consist of services that could otherwise be provided by a third party whose fees, costs and expenses would be paid by the Client.

Sourcing and Diligence Expenses. These expenses relate more generally to investment sourcing and diligence for a particular investment strategy and include fees, costs and expenses of identifying, investigating (including the conducting of due diligence with respect to), evaluating, structuring and negotiating potential investments for such strategy. Examples of sourcing and diligence expenses that a Client may pay or otherwise bear include (but are not limited to):

- commissions, brokerage fees, and similar charges incurred in connection with the purchase or sale of investments (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated);

- fees, costs, expenses and other liabilities and obligations incurred in identifying, sourcing, originating, evaluating, conducting due diligence, investigating, developing (including any retainers, success and finder's fees and other compensation paid to contractors, senior advisors, joint venture partners and sourcing and operating partners), negotiating, structuring, studying (including any market studies and/or the use of expert networks), financing, purchasing, settling, obtaining ratings, monitoring, advising or managing, valuing, disclosing (including press releases and other marketing), holding, and selling or otherwise disposing of portfolio investments;
- travel-related expenses;
- legal, tax, consulting and accounting expenses;
- costs and expenses of attending industry and trade association meetings, conferences or similar meetings to source and evaluate investment opportunities;
- costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software); and
- "broken deal expenses" including any such fees, costs, expenses and other liabilities incurred with respect to unconsummated investments which may include such expenses that would have been allocated to co-investors had such proposed investment been consummated.

Oversight Expenses. These expenses are incurred in connection with the oversight of portfolio investments. Examples of expenses that fall within this category include (but are not limited to):

- travel-related expenses for an Ares employee to visit or inspect an investment;
- expenses of consultants (including expert networks and operating advisors);
- brokerage commissions, clearing and settlement charges, investment banking fees and expenses, bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, bridge financing expenses and other investment, marketing, execution, closing and administrative fees costs and expenses of portfolio investments;
- costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments, including any related legal, accounting, tax, banking, filing, registered office and administrative fees costs and expenses;
- portfolio and risk management expenses (including hedging transactions and related costs); and
- expenses of any actual or potential litigation or other dispute or investigation or inquiry related to any portfolio investment.

Travel-related expenses incurred by Ares Management employees are subject to Ares Management's Travel & Expense Policy.

In most cases, ACREM or Ares Management will select a Client's service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms) and will determine the compensation of such providers without review by, or consent of, the Underlying Investors. To the extent allowable under the Governing

Documents, Clients will bear the fees, costs and expenses related to such services, regardless of the relationship the service provider may have to ACREM or Ares Management. ACREM or Ares Management uses reasonable diligence to periodically ascertain whether each service provider is adequately fulfilling its obligations and meeting performance requirements, taking into account factors such as expertise, availability and quality of service, familiarity with the Client and ACREM, and the competitiveness of compensation rates in comparison with other providers who meet the selection criteria. In addition, service providers and/or their affiliates may simultaneously be engaged in separate and distinct arrangements with ACREM, Ares Management, its Clients, and even Client portfolio companies. As such, it is possible that the service provider will charge different rates which may result in more favorable rates or arrangements for ACREM or Ares Management than its Clients or portfolio companies. This has the potential to create an incentive for ACREM, Ares Management or its affiliates to select service providers based on potential benefit to ACREM or Ares Management rather than its Clients.

Transaction-Based Compensation

From time to time and in connection with portfolio investments made by its Clients, ACREM or its affiliates or supervised persons will receive asset management, portfolio investment transaction, monitoring, servicing, other similar advisory fees and other fees and profits interests, and break-up fees from portfolio investments in which one or more of ACREM's Clients invest or propose to invest. These types of arrangements present potential conflicts of interest and may provide ACREM's supervised persons with an incentive to recommend investments based on compensation received rather than the best interests of a Client. To mitigate potential conflicts, such benefits received by ACREM in connection with its services related to portfolio investments or transactions are generally either waived or offset against advisory fees payable by the related Client. Please refer to the applicable Client Governing Documents for more complete information on additional compensation that may be receivable by ACREM or its affiliates or supervised persons in connection with investments and any offsets against advisory fees.

ACREM may cause or permit a Client to contract for the performance of certain services by ACREM or any of its affiliates that may result in the receipt of transaction-based compensation by ACREM or any of its affiliates. In such circumstances, ACREM may have an incentive to recommend securities or investment products based on compensation received by related persons, rather than on the needs of such collective investment vehicle. To mitigate such conflicts, the Governing Documents of a Client with respect to which such transaction-based compensation is permitted will typically require that the terms and conditions under which the related services are provided (including fees) must be at least as favorable to such Client as the terms available in an arm's-length transaction with an independent third party and that any such services must be pre-approved by the applicable Client's advisory committee or equivalent thereof.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

ACREM is entitled to receive performance-based fees in the form of incentive fees, carried interest or other performance-based fees, based on profits, from certain Clients. Incentive fees are generally based on the net appreciation per annum of the applicable Client, subject to certain net loss carry-forward provisions, high-watermarks and/or preferred returns. Such performance-based fees may also be based on a Client's cumulative net appreciation to date, in some cases subject to

a high-watermark or a preferred return. Carried interest entitles the general partner (or an affiliate) of a Client to a special allocation of income and gains from the Client and is typically structured as a net profits interest in the applicable Client. These performance-based arrangements are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940 (together with all rules and regulations promulgated thereunder, the “Advisers Act”). Any share of profits paid to ACREM or its affiliates by a Client is separate and distinct from the Advisory Fees charged by ACREM for advisory services. Ares Management, its employees, certain business associates and “friends and family” of ACREM and Ares Management will generally not pay such performance-based fees or allocations with respect to their direct or indirect investments in Clients.

Performance-based allocation arrangements received by ACREM or its related persons may create incentives for ACREM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. ACREM generally considers performance-based compensation to enhance alignment of its interests with those of its Underlying Investors, particularly in instances where the Client’s Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of such Client’s life or at certain interim intervals. Please refer to the applicable Governing Documents of each Client for more complete information on the “performance-based fee” arrangements of each Client.

Side-by-Side Management

ACREM or its related persons may provide concurrent advisory services to Clients that are not charged a performance-based fee or allocation by ACREM or its related persons and Clients that are charged a performance-based fee or allocation. The potential for ACREM and its related persons to receive greater fees or allocations from certain Clients creates potential conflicts of interest with respect to the allocation of investment opportunities, as accounts that pay higher fees may create incentives to direct investment ideas to, and/or to allocate investments in favor of, such accounts.

In addition, ACREM, from time to time, may enter into strategic accounts directly or indirectly with Underlying Investors that commit significant capital into a particular Client or across the broader Ares Management platform. Such arrangements often include ACREM granting certain preferential terms to these Underlying Investors, including co-investment rights, a waiver or reduction of management fees or performance fees or carried interest, a blended management fee, and/or performance fee or carried interest rates that are lower than those applicable to Clients in which such Underlying Investors invest. Where any such accounts invest in a Client, such indirect preferential terms (or other preferential terms set forth in the Governing Documents) are generally not subject to the Client’s “most favored nation” provisions.

From time to time, a Client will subscribe for or otherwise purchase an interest in another Client, provided that the sale or purchase is consistent with the Governing Documents and ACREM’s fiduciary obligations to each such Client. In addition, following the acquisition by ACREM or Ares Management of other investment managers or management contracts from other investment managers, in certain circumstances, ACREM will commence management of a Client that had previously acquired and continues to hold an interest in another Client. In such situations, while ACREM endeavors at all times to act in the best interests of all of its Clients, its receipt of compensation from each Client and the contribution of additional capital by a Client to another

Client will create potential conflicts of interest. In certain circumstances, ACREM may choose to reduce or offset the advisory fees of a Client investing in another Client by the amount of advisory fees applicable to the Client's investment in such other Client.

To mitigate potential conflicts of interest, allocations of investment opportunities among Clients are determined in accordance with Ares Management's investment allocation policy, which may be amended without ACREM's consent, and consistent with its fiduciary duties and corresponding investment mandates. It is Ares Management's policy that all investment opportunities will, to the extent practicable, be allocated among our Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients, taking into account the terms of the relevant Governing Documents and the relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital (e.g., current cash position and current or anticipated capital additions or withdrawals), size of a Client and remaining life of a Client;
- (ii) differences with respect to investment objectives or current investment strategies, such as objectives or strategies:
 - a) regarding current and total return requirements,
 - b) emphasizing or limiting exposure to the security or type of security in question,
 - c) regarding diversification, including industry or company exposure, currency and jurisdiction, or
 - d) regarding rating agency ratings;
- (iii) differences in risk profile at the time an opportunity becomes available;
- (iv) the potential transaction and other costs of allocating an opportunity among various Clients;
- (v) potential conflicts of interest, including whether multiple Clients have an existing investment in the security in question or the issuer of such security;
- (vi) the nature of the security or the transaction including size of investment opportunity, minimum investment amounts and the source of the opportunity;
- (vii) current and anticipated market and general economic conditions; and
- (viii) prior or existing positions in an issuer/security.

Allocations within a particular group of Clients are generally determined by the portfolio managers or investment committee members within the applicable group (or among investment groups, if applicable), in good faith and subject to restrictions in the applicable Governing Documents or regulatory restrictions.

When evaluating an investment opportunity, ACREM will, in certain circumstances, determine that the division of an investment among multiple Clients may negatively impact the nature of the investment such that it would not be appropriate to divide the investment among the multiple Clients for which the investment is otherwise suitable. In certain circumstances, ACREM will

also determine that the differences among Clients, such as the length of each Client's investment period, may result in an inability to share an investment opportunity among existing Clients without increasing the potential for conflicts of interest to arise. If it believes such circumstances are likely to occur regularly, ACREM will generally employ an allocation rotation process pursuant to Ares Management's investment allocation policy that is designed to facilitate a fair and equitable allocation of such opportunities over time.

Certain of Ares Management's Clients are subject to regulatory limitations on their ability to invest in the same issuer as other ACREM or Ares Management Clients, and in some cases are precluded altogether from investing in an issuer in which another Client is invested or is investing. Ares Management and its affiliates have received an order from the SEC that permits business development companies and registered closed-end investment companies managed by Ares Management to invest in portfolio investments alongside each other and with affiliated investment funds (the "Co-investment Exemptive Order"). Investments made in reliance on the Co-investment Exemptive Order are subject to compliance with certain conditions and other requirements, which could limit a Client's ability to participate in an investment opportunity. Clients' ability to participate in an investment opportunity with other Clients is subject to compliance with existing regulatory guidance, applicable regulations and Ares Management's investment allocation procedures. The foregoing factors in certain circumstances may:

- adversely impact the price paid or received by the Client or the size of a position purchased or sold by a Client, including commission prices;
- preclude a Client from participating in an investment; or
- limit the rights that a Client may exercise with respect to an investment.

In addition, there may be conflicts in the allocation of investments among Ares Management, ACREM and Clients managed by one of our related parties or one or more of our controlled affiliates or among the Clients they manage, including investments made pursuant to the Co-investment Exemptive Order which permits our Clients to co-invest in portfolio investments with business development companies, registered closed-end investment companies and other clients managed by Ares Management.

One Client may hold, acquire or dispose of positions in an investment in which another Client directly or indirectly invests or has invested. In addition, multiple Clients and/or multiple clients of Ares Management may directly or indirectly hold or acquire positions in the same or different securities of the same portfolio companies. For example, a Client may invest in equity securities issued by a portfolio company in which another Client holds debt securities, and a Client may invest, both directly and indirectly through investment funds managed by third parties, in the equity securities of a portfolio company in which another Client holds debt securities. Such investments and transactions may raise potential conflicts of interest for our Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying portfolio company. In that regard, actions taken by one Client may be adverse to another Client, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter. In addition, actions taken by a Client may adversely impact another Client where one Client invests directly in a portfolio company that is owned indirectly by another Client through interests in an investment fund that holds securities of that same issuer. In such cases, the Client that is directly invested in the issuer may pursue or enforce its rights in a manner

that may be detrimental to the other Client as an indirect investor. ACREM may take actions at the time of an initial investment and on an ongoing basis, as appropriate, to the extent it determines in its sole discretion any such action is necessary or advisable to seek to mitigate potential conflicts of interest for a Client. Such conflict mitigation may include the appointment of an independent third party with decision-making authority with respect to a Client, limiting the amount of an investment in an issuer or fund that owns an issuer by one or more Clients, or agreeing to limit future rights that would otherwise be available to a Client.

From time to time and reflective of the diversity and breadth of Ares Management's investment platform, investments made on behalf of Clients may not be consistent with public statements made by Ares Management as to reflections or opinions on general economic trends, etc. and/or with investments of other Clients due to different underlying investment mandates.

Ares Management Warehouse Line: Ares Management maintains a \$200 million real estate debt warehouse investment vehicle that holds Ares Management originated loans, which are made available to purchase by ACREM, its Clients and other Ares Management clients. Although ACREM will approve the purchase of such loans only on terms, including the consideration to be paid, that are determined by ACREM in good faith to be appropriate for its Clients, it is possible that the interests of ACREM could be in conflict with its Clients and Underlying Investors. The opportunity to purchase loans from such vehicle may be on different and potentially less favorable economic terms than other Ares Management clients if ACREM deems such purchase as being otherwise in the best interests of its Clients.

In addition, Ares Management, ACREM and its principals may co-invest with certain Clients, as permitted and described in applicable Governing Documents. Please see "*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" for a discussion of how Ares addresses these matters.

Item 7 - Types of Clients

Types of Clients

ACREM provides investment advisory services to various pooled investment vehicles, including public and private pooled investment vehicles, including ACRE, AREIT and AIREIT, private funds, separately managed accounts, joint ventures and co-investment vehicles.

Underlying Investors in our Private Clients are comprised primarily of government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, banks, investment companies, insurance companies, private corporations, and high-net worth individuals. Generally, Underlying Investors participating in our Private Clients are required to meet certain suitability and net worth qualifications, such as being (a) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), (b) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act, (c) a "knowledgeable employee" within the meaning of Rule 3c-5 of the Investment Company Act or (d) a non-U.S. person, depending on the applicable eligibility requirements of the respective Client.

Underlying Investors in AREIT and AIREIT are subject to applicable suitability requirements. ACREM requires that each Underlying Investor in AREIT and AIREIT have either (i) a net worth of at least \$250,000; or (ii) a gross annual income of at least \$70,000 and a net worth of a \$70,000, in each case excluding the value of the home, home furnishings and automobiles from the calculation of net worth. Certain states and brokers have established suitability standards in addition to the minimum income and net worth standards described above.

Underlying Investors may have conflicting investment, tax and other interest with respect to Client investments. The results of a Client's activities may affect Underlying Investors differently, depending on their different situations. As a consequence, conflicts of interest may arise in connection with decisions made by ACREM that benefits one Underlying Investor over another Underlying Investor. In selecting and structuring investments for a Client, ACREM will consider the investment and tax objectives of the Client as a whole and not the objectives of any individual Underlying Investor. However, there can be no assurance that a result will not be more advantageous to some Underlying Investors than to other Underlying Investors.

Minimum Investment Requirements

The minimum investment in each Private Client is stated in its Governing Documents and generally requires a minimum investment of \$5 million, although ACREM or an affiliate may waive this at its discretion.

The minimum initial investment in AREIT is \$2,500 for Class T, Class S and Class D shares, and \$1 million (unless waived by AREIT) for Class I shares. The minimum account balance is \$2,000.

The minimum initial investment in AIREIT is \$2,500 for Class T and Class W shares, except in certain states as described in AIREIT's Governing Documents. The minimum initial investment in AIREIT is \$1 million (unless waived by AIREIT) for Class I shares. The minimum account balance is \$2,000.

The minimum investment in the DST Program is \$500,000.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

ACREM's advisory business is serviced by a dedicated team within Ares Management's Real Assets Group. Our Real Assets Group manages comprehensive public and private equity and debt strategies. With its experienced team, along with its expansive network of relationships, our Real Assets Group capitalizes on opportunities in equity and debt investing across real estate and infrastructure investment strategies. Our real estate equity investments focus on implementing hands-on value creation initiatives to mismanaged and capital-starved assets, platform-level investments, as well as new developments, ultimately selling stabilized assets back into the market. Our real estate debt strategies utilize diverse sources of capital to directly originate and manage commercial mortgage loans on properties that range from stabilized to those requiring hands-on value creation.

Real Estate Equity: Our real estate equity team primarily acquires standing assets and improves them through renovating, repositioning and retenanting and selectively developing assets in

supply-constrained markets. Our U.S. core/core-plus real estate strategy focuses on the acquisition of assets with strong long-term cash flow potential and durable tenancy diversified across end-user industries and geographies. We predominately target industrial real estate in top-tier primary and regional distribution markets with an additional focus on other major sectors including multifamily, office, necessity-based retail and other select property types across major metropolitan economies in the United States.

Real Estate Debt: Our real estate debt team primarily focuses on directly originating and investing in a wide range of financing opportunities in the United States and Europe. While our real estate debt strategies focus predominantly on directly originated transactions, we also selectively pursue secondary market acquisitions and syndicated transactions.

Our real estate strategy's activities are managed by dedicated equity and debt teams in the United States and Europe. Our real estate strategy's investment process includes a rigorous analysis of property cash flows, local real estate fundamentals, demographics, industry, market and tenanting trends, among other criteria. By identifying key risks, appropriate pricing and structure is determined based on market, credit-worthiness of tenants or other deal-specific risks identified early in the process. Our real estate strategy employs a rigorous, credit-oriented evaluation towards determining the risk/return profile of the investment opportunity, and the appropriate pricing and structure for the prospective investment, with specific reference to the strength of the transaction sponsor(s), the underlying real estate and the structure of the investment. Detailed financial modeling and analysis is conducted to assess the cash flow and debt service coverage characteristics of the properties as well as interest rate and prepayment analysis.

Focus is given to current cash flows and potential risks to cash flow such as those associated with tenant credit quality, lease maturities, reversion to market level rental rates, vacancy and expenses. Cash flow analysis and market comparables are used as follows:

- to determine the current value of the underlying collateral;
- to assess the capacity to repay or refinance upon maturity; and
- to understand sensitivities to various potential changes in asset performance, market fundamentals and real estate capital markets.

Our real estate strategy performs extensive property, sponsor and market-level due diligence, including:

- a competitive analysis;
- corporate profile and credit reviews for major tenants;
- due diligence on the borrower and its sponsor(s), including meeting with the borrower's and sponsor's respective management teams;
- checking management's backgrounds and references;
- analyzing the governance structure of the borrower;
- investigation into the legal risks; and
- market and industry research, including an analysis of demographics, key economic fundamentals such as employment and population growth, and comparable transactions.

- review of the borrower's business plan with respect to the property

Our real estate strategy's underwriting focuses on understanding the broader capital structure of the transaction and ensuring that it has the appropriate controls and rights with respect to its prospective investment.

If considering investments in commercial mortgage-backed securities ("CMBS"), our real estate strategy would undertake an extensive analysis of the underlying loans and careful review of the security terms and conditions.

Material Risks

The task of identifying investment opportunities and managing such investments can be difficult. There can be no assurance that any Client will be able to make and realize any particular investment or generate returns or that such returns will be commensurate with the risks of investing in the types of transactions described in the Governing Documents. Clients and Underlying Investors should carefully consider, among other factors, the following material risks involved with ACREM's investment strategies. Past performance is not indicative of future results.

Not all possible risks are described below, and risks described below may not be applicable to all Clients. Underlying Investors are requested to refer to the applicable Client Governing Documents of the applicable Client for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

General Market Risks. Investments made by our Clients are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the availability and cost of credit, inflation rates, changes in laws (including laws relating to our taxation, taxation of our investors and the possibility of changes to regulations applicable on alternative asset managers), trade policies, political uncertainty and social unrest, trade barriers, commodity prices, tariffs, currency exchange rates and controls and national and international political circumstances (including wars and other forms of conflict, civil unrest, terrorist acts and security operations), general economic uncertainty and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and pandemics could materially affect our business to the extent it materially affects global economies or global financial markets. These factors are outside of our control and may affect the level and volatility of securities prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions, which may result in adverse consequences for our Clients and result in substantial losses to our Clients.

Global financial markets have experienced heightened volatility in recent periods, including as a result of economic and political events in or affecting the world's major economies, such as ongoing uncertainty following the end of the Brexit transitional period on December 31, 2020, hostilities in the Middle East region and more recently between Russia and Ukraine. Sanctions imposed by the U.S. and other countries in connection with hostilities between Russia and Ukraine have caused additional financial market volatility and affected the global economy. Concerns over increasing inflation, as well as interest rate volatility and fluctuations in oil and gas prices resulting from global production and demand levels, as well as geopolitical tension, have exacerbated market volatility.

In addition, numerous structural dynamics and persistent market trends have exacerbated volatility and market uncertainty. Concerns over significant volatility in the commodities markets, sluggish economic expansion in foreign economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries, uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures and speculation about a possible recession all highlight the fact that economic conditions remain unpredictable and volatile. U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns or a recession in the U.S. In recent periods, geopolitical tensions, including between the U.S. and China, have escalated. Further escalation of such tensions and the related imposition of sanctions or other trade barriers may negatively impact the rate of global growth, particularly in China, where growth has slowed. Moreover, there is a risk of both sector-specific and broad-based volatility, corrections and/or downturns in the commodities, equity and credit markets. Any of the foregoing could have a significant impact on the markets in which we operate and result in adverse consequences for our Clients and result in substantial losses to our Clients.

Interest Rate Changes May Adversely Affect Value. The market value of the Clients' investments may be affected by changes in interest rates. In general, the market value of a debt investment changes in inverse relation to an interest rate change where a debt investment has a fixed interest rate or only limited interest rate adjustments. Accordingly, in a period of declining interest rates, debt investments without adequate call protection may benefit less than other fixed income securities due to accelerated prepayments. For example, a property securing a commercial real estate collateralized debt obligation may bear interest at a fixed rate while the commercial real estate collateralized debt obligation may bear interest at a floating rate, which can lead to a floating/fixed rate or basis mismatch. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability of such property to generate positive cash flow and make payments on the commercial real estate collateralized debt obligation. Interest rate changes may also affect a Client's return on new investments. Increases in the interest rates on debt incurred by a Client in originating or acquiring investments may not be reflected in increased rates of return on the related investments, adversely affecting the Client's return on those investments.

Recent actions by the U.S. Federal Reserve (the "Federal Reserve") and other central bankers in response to significant levels of inflation have included increases in interest rates with public announcements that additional increases are expected, which have begun to and are expected to continue to have a significant effect on interest rates and on the U.S. and world economies generally to an unpredictable extent, which in turn may affect the performance of the Clients' investments. In particular, as of the date hereof, interest rates have recently increased significantly in the United States and are expected to experience continued increases in at least the near- and medium-term. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts, together with the passing of U.S. legislation calling for historically significant amounts of government spending, run a severe risk of being inflationary.

Outbreaks of Infectious or Contagious Diseases and Public Health Emergencies. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below)

have contributed to, and are resulting in, market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Client.

The outbreak of the novel and highly contagious form of coronavirus (“COVID-19”) has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. Preventative measures taken to contain or mitigate the spread of COVID-19 and its variants have caused, and may continue to cause, business shutdowns or the re-introduction of business shutdowns, significant fluctuations in demand for certain goods and services, supply chain disruptions and overall economic and financial market instability both globally and in the United States. Such measures, as well as the general uncertainty surrounding the dangers and impact of the COVID-19 pandemic, have created significant disruption in economic activity and have had a particularly adverse impact on the energy, hospitality, travel, retail and restaurant industries. While many of the initial restrictions have been lifted, the risk of future COVID-19 outbreaks remains and restrictions have been and may continue to be reimposed to mitigate risks to public health, both in the U.S. and globally. Moreover, even where restrictions are and remain lifted, certain groups of people may continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time, potentially further delaying global economic recovery. As a result, even after the COVID-19 pandemic subsides, as a result of its effects the U.S. economy and other major markets may experience economic volatility and/or downturns, which could materially and adversely affect our and our Clients’ business and operations, as well as the business and operations of our Clients’ portfolio companies.

General Real Estate Considerations. Real estate historically has experienced significant fluctuations and cycles in value that may result in reductions in the value of real estate-related investments. The marketability and value of the investments undertaken by ACREM on behalf of its Clients depends on many factors beyond the control of ACREM. The ultimate performance of such investments is subject to the varying degrees of risk generally incident to the financing, ownership, market and operation of the underlying real property. The ultimate value of a client account’s investment in the underlying real property depends upon the real property owner’s ability to operate the real property in a manner sufficient to maintain or increase revenues in excess of operating expenses and debt service or, in the case of all properties, the ability of any lessees to make rental payments.

Real estate investments are subject to various risks, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- political events, acts of war or terrorism, including the consequences of terrorist attacks;
- adverse changes in national and local economic and market conditions including local markets with a significant exposure to the energy sector, which may be affected by the prices of oil and gas that could adversely affect the success of tenants in that industry;
- changes in governmental laws and regulations (including their interpretations), fiscal policies (and in the availability, cost and terms of mortgage funds) and zoning ordinances

and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

- increases in operating costs, including the need for capital improvements and costs of remediation and liabilities associated with environmental conditions such as indoor mold;
- rising vacancy rates for commercial property, particularly in large metropolitan areas;
- increases in interest rates which could result in, among other things, an increase in defaults by customers, a decline in property values, and therefore make it more difficult to dispose of properties at an attractive price;
- the potential for uninsured or under-insured property losses; and
- the financial condition of tenants, buyers and sellers of properties.

The risks associated with ACREM's Clients' investments are more severe during periods of economic slowdown or recession and if these periods are accompanied by declining real estate values, ACREM's Clients can be materially adversely affected. Declining real estate values would likely reduce the level of new mortgage and other real estate-related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on loans if the value of real estate declines. Further, declining real estate values significantly increase the likelihood that ACREM's Clients will incur losses on loans in the event of default because the value of the collateral may be insufficient to cover the remaining obligation due on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect ACREM's ability to invest in, sell and securitize loans.

The factors above could materially and adversely affect the results of the operations, financial condition, liquidity and business of ACREM's Clients and their ability to pay returns.

Competition for Real Estate Investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable our Clients to invest all of their commitments in opportunities that satisfy the Client's investment objectives, or that such investment opportunities will lead to completed investments by the Client. ACREM operates in a competitive market for investment opportunities and competition may limit its ability to originate or acquire desirable investments in its target investments and could also affect the pricing of these securities, thereby reducing returns to ACREM's Clients, and may decrease the available supply of investment opportunities deemed suitable for such Clients. A number of entities compete with Clients to make the types of investments that such Clients seek to make. The profitability of ACREM's Clients depends, in large part, on ACREM's ability to originate or acquire target investments on attractive terms. In originating or acquiring target investments, ACREM's Clients will compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by an affiliate of ACREM), commercial and investment banks, commercial finance and insurance companies and other financial institutions.

Many of ACREM's competitors are significantly larger and have considerably greater financial, technical, marketing and other resources. Some competitors may have a lower cost of funds and

access to funding sources that are not available to ACREM, such as the U.S. Government. In addition, future changes in laws, regulations and Fannie Mae or HUD program requirements could lead to entry of more competitors. Many of ACREM's competitors are not subject to the operating constraints associated with maintenance of an exemption from the Investment Company Act. In addition, some of ACREM's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, deploy more aggressive pricing and establish more relationships than ACREM. Furthermore, competition for originations of, and investments in, Clients' target investments may lead to the price of such assets increasing, which may further limit the Clients' ability to generate desired returns. ACREM cannot assure investors that the competitive pressures its Clients face will not have a material adverse effect on their business, financial condition and results of operations. Also, as a result of this competition, desirable investments in target investments may be limited in the future and such client accounts may not be able to take advantage of attractive investment opportunities from time to time, as no assurance can be provided that investments that are consistent with Clients' investment objectives will be identified and made.

Reliance on Management. All decisions with respect to the management of investments for a Client will be made by ACREM and/or its affiliates, and thus Underlying Investors must rely on the ability of ACREM and/or its affiliates to make appropriate investments for the Client and to manage and dispose of such investments. In addition, the timing and form of distributions from Clients to Underlying Investors will be subject to the discretion of ACREM and its affiliates. Underlying Investors will generally have no right or power to participate in the affairs or investment activities of a Client. Accordingly, no person should commit capital to a Client unless such person is willing to entrust all aspects of the management of such Client and the investments of such Client to ACREM and/or its affiliates.

Dependence on Key Professionals. The ability of a Client to achieve its investment objective will be dependent on the diligence, skill, judgment, business contacts and personal reputations of senior professionals or other key personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our Clients' investments, and have significant relationships with the institutions that are the source of many of our investment opportunities. Therefore, the departure or misconduct of one or more of these individuals could have a material adverse effect on the ability of the Client to achieve its investment objectives, cause certain Underlying Investors to withdraw capital or otherwise have a material adverse effect on our business. Further, if such individuals join competitors or form competing companies, it could result in the loss of significant investment opportunities.

Other Obligations of Investment Professionals. Although the senior investment professionals of ACREM or Ares Management intend to devote such time as is necessary to conduct the business and affairs of each Client, they are involved in other activities, including, but not limited to, managing investments, advising or managing Clients whose investment objectives are the same as or overlap with those of other Clients, participating in actual or potential investments of multiple Clients, providing consulting, merger and acquisition, structuring or financial advisory services, including with respect to actual, contemplated or potential investments of a Client, or acting as a director, officer or creditors' committee member of, adviser to, or participant in, any corporation, Client, trust or other business entity. In such cases, employees of Ares may have duties that may differ from, and could conflict with, their duties to our Clients.

Conflicts of interest may arise in allocating time, services, or resources among the investment activities of the Clients, Ares Management, ACREM and other affiliated entities. Additionally, ACREM, Ares Management and/or its affiliates may, and expect to, receive fees or other compensation from third parties in connection with these investment activities and such compensation shall be for their own account.

Restrictions on Transactions Due to Other ACREM and Ares Management Businesses.

ACREM and Ares Management engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Clients, and providing transaction-related, legal, management and other services to Clients, special purpose acquisition companies (“SPACs”) and portfolio companies. Except to the extent prohibited by the Governing Documents, ACREM, Ares Management and their personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs and to receive compensation (including in the form of management fees, performance-based compensation, founders’ equity or similar interests) relating thereto.

ACREM and Ares Management sponsor and advise a range of types of Clients and expect to continue to develop their investment advisory and related businesses by forming additional vehicles and obtaining new Clients in the future. ACREM, Ares Management and their employees may acquire material non-public information or other confidential information about a company while pursuing an investment opportunity or while monitoring an investment (including service on a portfolio company’s board of directors, steering committee or in a similar capacity) for a particular Client, which may give rise to a potential conflict of interest when it results in our having to restrict the ability of other Clients to trade in the securities of such company. With limited exceptions, ACREM and Ares Management do not establish information barriers between its internal investment teams. In addition, a Client may hold positions in securities or other assets or be subject to contractual or legal restraints that could prevent a different Client from being able to initiate a transaction that it otherwise might have initiated or to sell an investment that it otherwise might have sold or, in its judgment, such position(s) or restraint(s) may make such a transaction inadvisable.

The investment activities of one or more Clients may be inconsistent with the investment activities of another Client. Furthermore, subject to our investment allocation policy, we may have or develop business relations through our other businesses or have duties to Clients that we may consider in determining whether to undertake a transaction, with the result that a Client may not participate in certain transactions in which it might otherwise have participated. In certain circumstances, we may be contractually required to offer certain types of investment opportunities to certain Clients before such opportunities may be offered more broadly to all Clients, and therefore, some Clients may not be offered certain investment opportunities.

Ares Management Capital Markets LLC (“AMCM”), a wholly owned subsidiary of Ares Management, is a broker-dealer currently registered with the SEC and is a member of the Financial Industry Regulatory Authority. AMCM is authorized to provide the following services to Ares Management and its affiliates, including our Clients, and third parties: (i) underwriting firm commitment and best-efforts offerings of securities (as well as acting as a selling group

participant), (ii) marketing registered and private funds, (iii) conducting private placements, (iv) acting as a broker or dealer for corporate debt securities, (v) acting as an underwriter or sponsor for investment companies, and (vi) providing capital markets advisory services.

AMCM acts as a placement agent for certain Clients sponsored by Ares Management and its affiliates, including ACREM. AMCM is authorized to and may in the future provide capital markets advisory services, acting as, among other roles, an underwriter, syndicator and placement agent of securities of corporate issuers in private and public offerings for ACREM and its affiliates, including our Clients, and third parties. AMCM is authorized to and may in the future manage or otherwise participate in underwriting syndicates with respect to the securities of portfolio investments in which our Clients invest, including in respect of securities or other instruments of such portfolio investments in which our Clients have not invested. AMCM may also provide capital markets services to third parties that are not portfolio investments including third parties that are competitors of ACREM or one or more of its affiliates or portfolio investments of Clients. Where AMCM provides services to third parties, including to competitors, it will come into possession of information that it is prohibited from acting on (including on behalf of a Client) or disclosing to ACREM as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interests of a Client. Please see “*Item 10. Other Financial Industry Activities and Affiliations*” for further information regarding AMCM.

Allocation of Investment Opportunities. Certain Clients may have overlapping investment objectives, including Clients that have different fee structures, and potential conflicts may arise with respect to our decision regarding how to allocate investment opportunities among these Clients. From time to time, ACREM is presented with investment opportunities that fall within the investment objectives of more than one Client. While we seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one Client with respect to a particular investment or other matter conflict with the interests of one or more other Clients. We may allocate an investment opportunity that is appropriate for two or more Clients in a manner that excludes one or more Clients or results in a disproportionate allocation based on factors or criteria that we determine, such as differences with respect to available capital, the size of a Client, minimum investment amounts and remaining life of a Client, differences in investment objectives or current investment strategies, such as objectives or strategies, differences in risk profile at the time an opportunity becomes available, the potential transaction and other costs of allocating an opportunity among various Clients, potential conflicts of interest, including whether multiple Clients have an existing investment in the security in question or the issuer of such security, the nature of the security or the transaction including the size of investment opportunity, minimum investment amounts and the source of the opportunity, current and anticipated market and general economic conditions, existing positions in an issuer/security, prior positions in an issuer/security and other considerations deemed relevant to us. In addition, due to the nature of certain real estate instruments, in certain situations an investment may be suitable for multiple Clients, but the investment may not be able to be partitioned and allocated among Clients. Such investments are allocated to Clients on a rotational basis and as a result, may preclude a Client from participating in an investment.

The determinations made by ACREM in connection with the allocation of investment opportunities will frequently be subjective in nature and consequently, (a) an investment that was determined as appropriate for one Client may ultimately prove to have been more appropriate for

another Client, and (b) where potential overlaps among Clients exist, ACREM or Ares Management may, in accordance with Ares Management's investment allocation policy, forego investment opportunities suitable for a Client. All of the foregoing could in certain circumstances (i) adversely affect the price paid or received by a Client or the size of the position purchased or sold by a Client, (ii) preclude a Client from participating in an investment or (iii) limit the rights a Client may exercise with respect to an investment.

Overlapping Investments with Other Ares Management Clients. Multiple Clients and/or multiple clients of Ares Management may directly or indirectly hold or acquire positions in the same or different securities of the same portfolio investments. For example, a Client may invest in equity securities issued by a portfolio investment in which another Client holds debt securities, and a Client may invest, both directly and indirectly through investment funds managed by third parties, in the equity securities of a portfolio investment in which another Client holds debt securities. Such investments and transactions may raise potential conflicts of interest for our Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying portfolio investment. In that regard, actions may be taken by some Clients that may be inconsistent, if not adverse to other Clients, including, but not limited to, interests in different parts of a company's capital structure during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

Where Clients invest in different parts of the capital structure of a portfolio investment, their respective interests may diverge significantly in the case of financial distress of the company. In a bankruptcy proceeding, a Client's interest may be subordinated or otherwise adversely affected by virtue of another Client's involvement and actions relating to their investment. This may result in loss or substantial dilution of one Client's investment, while another Client recovers all or part of amounts due to it. In addition, where one Client is a creditor of a portfolio investment in which another Client holds more junior securities, that Client may take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the other Client as junior creditor or an equity holder. There can be no assurance that the terms of or the return on each Client's investment will be equivalent to or better than the terms of or the returns obtained by other Clients participating in the transaction. The ability to implement a Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by other Clients impose restrictions on Clients engaging in transactions that we may otherwise be interested in pursuing.

Risk of Default or Insolvency by Underlying Investments. With respect to mezzanine or other subordinate investments that may be made by various Clients, the leveraged capital structure of the properties underlying the mezzanine products and other investments in which Clients invest will increase their exposure to adverse economic factors (such as rising interest rates, competitive pressures, downturns in the economy or deterioration in the condition of the real estate company or property) and to the risk of unforeseen events. This leverage may result in more serious adverse consequences to such underlying properties (including to overall profitability or solvency) in the event these factors or events occur than the consequences for less leveraged entities or properties. For example, rising interest rates may significantly increase interest expense, or a significant market downturn may affect the ability to generate positive cash flow, in either case causing an inability to service outstanding debt, which may include the debt investments held by Clients. If an underlying property cannot generate adequate cash flow to meet debt obligations, for example,

because a major tenant defaults under, terminates or fails to renew its lease, the borrower may default on its loan agreements or be forced into bankruptcy. As a result, Clients may suffer a partial or total loss of invested capital.

Misconduct by Employees or Service Providers. Misconduct by (i) our employees, (ii) portfolio company directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of a Client and/or the general partner and cause significant losses to a Client. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Client, the improper use or disclosure of confidential or material non-public information, or sexual or other harassment, which could result in litigation or serious financial harm, including limiting a Client's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Client. Ares has controls and procedures through which we seek to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

Cybersecurity. We and our service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect our Clients and/or Underlying Investors, despite our efforts and the efforts of our service providers to adopt controls, processes and practices intended to mitigate these risks and protect the security of computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Client or Underlying Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems, the systems of our service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, Underlying Investors, third-party service providers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our Clients and Underlying Investors. A successful penetration or circumvention of the security of our systems or those of our service providers could result in the loss or theft of an Underlying Investor or Client data, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause our Clients, service providers or us to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for our Clients' portfolio investments, which could have material adverse consequences for such portfolio investments and may cause a Client's investments to lose value.

Risks Associated with ESG Considerations. ACREM seeks to integrate certain environmental, social and governance ("ESG") factors into its investment process in accordance with Ares Management's Responsible Investment Program ("ESG policy") and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that ACREM will be able to successfully implement its ESG policy while achieving a Client's investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by ACREM, or any

judgment exercised by ACREM, will reflect the beliefs or values of any particular Underlying Investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and topic. ACREM's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment for a Client, ACREM expects to depend upon information and data provided by a number of sources, including those related to the relevant investments and/or other various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause ACREM to incorrectly assess a company or prospective investment's ESG practices and/or related risks and opportunities. ACREM does not intend to independently verify all of the ESG information reported by portfolio companies or other third parties. Further, considering ESG qualities when evaluating an investment for a Client could result in the selection or exclusion of certain investments based on ACREM's view of certain ESG-related and other factors and could cause ACREM not to have such Client make an investment that it would have made otherwise or to make a decision with respect to an investment differently than it would have made otherwise in the absence of such consideration, which could negatively impact such Client's performance. Additionally, ESG factors are only some of the many factors that ACREM expects to consider in making an investment.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and ACREM's adoption and adherence to such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Ares Management's ESG policy could become subject to additional regulation in the future, and Ares Management and ACREM cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Client or its investments, including with respect to future classifications, administrative burdens and costs.

Risks Associated with Mezzanine Loans. Clients may originate or acquire mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, a Client may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy the Client's mezzanine loan. If a borrower defaults on the Client's mezzanine loan or debt senior to such loan, or in the event of a borrower bankruptcy, such mezzanine loan will be satisfied only after the senior debt. As a result, the Client may not recover some or all of its initial investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Risks Associated with Preferred Equity Investments. Certain Clients may invest in real estate preferred equity, which involves a higher degree of risk than first mortgage loans due to a variety of factors, including the risk that, similar to mezzanine loans, such investments are subordinate to

first mortgage loans and are not collateralized by property underlying the investment. Unlike mezzanine loans, preferred equity investments generally do not have a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. Although as a holder of preferred equity ACREM may enhance its Clients' position with covenants that limit the activities of the entity in which they hold an interest and protect Clients' equity by obtaining an exclusive right to control the underlying property after an event of default, should such a default occur on our investment, ACREM would only be able to proceed against the entity in which Clients hold an interest, and not the property owned by such entity and underlying the Clients' investment. As a result, ACREM may not recover some or all of its Clients' investment.

Risks Associated with B-Note Originations or Acquisitions. Certain Clients may originate or acquire B-Notes. A B-Note is a mortgage loan typically (a) secured by a first mortgage on a single large commercial property or group of related properties, and (b) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note holders after payment to the A-Note holders. Because each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Significant losses related to the B-Notes held by a Client would result in operating losses for such Client and may limit the Client's ability to make distributions to its stockholders or Underlying Investors.

Risks Associated with Investments in Illiquid Instruments. The illiquidity of investments made by certain Clients may make it difficult for ACREM to sell such investments if the need or desire arises. Certain target investments such as B-Notes, transitional and mezzanine loans, preferred equity and other investments are also particularly illiquid investments due to their short life, their potential unsuitability for securitization and the greater difficulty or recovery in the event of a borrower's default. In addition, many of the loans and securities will not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or disposition except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. As a result, many investments made by certain Clients will be illiquid, and if ACREM is required to liquidate all or a portion of our portfolio quickly, such Clients may realize significantly less than the value at which they have previously recorded investments. Further, such Clients may face other restrictions on their ability to liquidate an investment in a business entity to the extent that ACREM or its affiliates has or could be attributed as having material, non-public information regarding such business entity. As a result, ACREM's ability to vary portfolios in response to changes in economic and other conditions may be relatively limited, which could adversely affect the results of operations and financial condition.

Valuation Risk. Many of the investments made by ACREM's Clients are illiquid and thus have no readily available market prices. Where required by Client's Governing Documents, ACREM value these investments based on its estimate, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. Because such valuations are subjective, the fair value of certain assets may fluctuate over short periods of time

and ACREM's determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. In addition, valuations of investments may be subject to rapid and/or significant changes caused by, among other matters, significant market volatility.

Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, ACREM's determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the values that a Client may ultimately realize on such investments. For Clients that issue shares on a continuous basis and/or offer redemptions or repurchases of shares, the price at which an Underlying Investor purchases or redeems shares in a Client will also be dependent on our determinations regarding the fair value of our investments.

In instances where Ares Management personnel determine the fair value of the investments of certain Clients and such Clients pay management fees and/or performance fees that may fluctuate with changes in value, such personnel will have a conflict of interest in determining fair value. In addition, the amount and timing of carried interest or incentive fee received by Ares or its affiliates with respect to a Client will depend in part on the value of such Client's assets and liabilities. If the valuations are incorrect, the amount of carried interest or incentive fee received, or the timing of receipt of such carried interest or incentive fee, could also be incorrect.

Risks Related to Yields and Pricing of Investments. We value the potential investments for Clients based on yields and risks, taking into account estimated future losses on the mortgage loans and the collateral underlying mortgage loans and included in securitization pools, and the estimated impact of these losses on expected future cash flows and returns. ACREM's loss estimates may not prove accurate, as actual results may vary from estimates. If ACREM underestimate the asset-level losses relative to the price a client account pays for a particular investment, its Clients may experience losses with respect to such investment.

Lack of Operating Control of Underlying Investments. The day-to-day operations of the properties underlying the debt or other investments in which certain Clients invest are the responsibility of the owners and developers of such properties. Although ACREM is responsible for monitoring the performance of each investment and invests in debt or other investments with underlying real estate properties that are operated by strong management, there can be no assurance that the owners and developers will be able to operate the underlying companies or properties in accordance with their business plans or the expectations of Clients.

Investment in Distressed Assets. Certain Clients may make investments that either are or become non-performing or otherwise troubled. These investments may experience financial difficulties that may never be overcome. Such Clients' investments may be subordinate to the interests of a mortgage lender, which could foreclose on its mortgage (and wipe out the client accounts' investment) if a mortgage default occurred. Investments in properties operating under the close supervision of a mortgage lender or under certain bankruptcy laws are, in certain circumstances, subject to certain additional potential liabilities, which may exceed the value of the Clients' original investment. In addition, lenders who have inappropriately exercised control over the

management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

Risks Associated with Senior CRE Loans and CMBS Mortgage Loans. Senior commercial real estate loans made by certain Clients will be secured by commercial property and will be subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things,

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition and design;
- competition from comparable types of properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in national, regional or local economic conditions, including as a result of a potential recession, and specific industry segments, including the credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- costs of remediation and liabilities associated with environmental conditions;
- the potential for uninsured or underinsured property losses;
- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorist attacks, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by a Client, such Client will bear a risk of loss to the extent of any deficiency between the value of the collateral and the principal and accrued interest and costs of collection of the mortgage loan, which could have a material adverse effect on the Client's cash flow from operations and limit amounts available for distribution to the Underlying Investors. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on a Client's anticipated return on the foreclosed mortgage loan.

Risks Related to Ownership of Certain Real Property. Real property owned by our Clients and not used in the ordinary course of their operations subjects our Clients to risks particular to CRE property. Tenants of properties our Clients may own may elect to not renew their leases, or to renew them for less space than they currently occupy, which could increase vacancy, place downward pressure on occupancy, rental rates and income and property valuation. All of these factors could have a material adverse effect on any income our Clients could generate, or expenses they could incur, from the ownership of such properties.

Moreover, our Clients' ability to sell CRE is affected by public perception that banks are inclined to accept large discounts from market value in order to quickly liquidate properties. Any material decrease in market prices may lead to CRE write-downs, with a corresponding expense in our statement of operations. Write-downs on CRE or an inability to sell CRE properties could have a material adverse effect on our Clients' future business. Furthermore, the management and resolution of CRE increases our Clients' costs and requires significant commitments of time from their management and directors, which can be detrimental to the performance of their other responsibilities.

Risks Associated with Industrial Properties. Industrial properties owned by certain Clients are subject to particular risks as the demand for industrial space in the United States is more strongly dependent on economic activity and trade regulation than other real estate sectors. For example, customers and potential customers of our Client's industrial properties operate in industries including e-commerce, traditional retail, third-party logistics, warehousing and manufacturing, all of which may be adversely impacted by recently enacted and proposed changes to U.S. foreign trade policies, including tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other policies. The factors above could materially and adversely affect the results of the operations, financial condition, liquidity and business of our Clients that invest in industrial properties and their ability to pay returns.

Risks Associated with Retail Properties. Retail properties owned by certain Clients depend on anchor customers to attract shoppers and could be adversely affected by the loss of a key anchor customer. A lease termination by a customer that occupies a large area of a retail center (commonly referred to as an anchor customer) could impact leases of other customers. Other customers may be entitled to modify the terms of their existing leases (or terminate their leases) in the event of a lease termination by an anchor customer, or the closure of the business of an anchor customer that leaves its space vacant even if the anchor customer continues to pay rent. Any such modifications, conditions or terminations could be unfavorable to the applicable Client's investment as the property owner and could decrease rents or expense recoveries. In the event of default by a customer or anchor store, the applicable Client may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties, which could materially and adversely affect such Client's results of the operations and ability to pay returns.

Risks Associated with Delays in the Development of Real Properties or Debt Investments. Certain Clients may encounter delays in selecting, acquiring and developing additional real properties or debt investments could adversely affect their ability to pay returns. The uncertain state of the real estate markets in recent years and the resulting incentives of lenders and sellers to retain their investments had previously led to generally lower transaction volume in the broader

real estate market and for certain Clients, in part due to pricing and valuation uncertainties. It is possible that such disruptions and uncertainties may reoccur. Alternatively, increased competition for high quality investments may also limit our ability to make incremental accretive investments in real properties and debt investments. These factors may adversely affect the value of the Clients' investment portfolios and hinder their ability to reach stated portfolio diversification objectives.

Risks Associated with Loans on Properties in Transition. Certain Clients may originate transitional loans secured by first lien mortgages on a property to borrowers who are typically seeking short-term capital to be used in an acquisition, construction or rehabilitation of a property. The typical borrower under a transitional loan has usually identified an asset that has not been stabilized or has been under-managed and is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and the applicable Client will bear the risk that it may not recover some or all of its investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the transitional loan. Transitional loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under transitional loans that may be held by a Client, such Client will bear the risk of loss to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest and costs of collection of the transitional loan.

Further, the construction, renovation, refurbishment or expansion by a borrower with respect to a property in transition mortgaged by a short-term senior loan involves risks of cost overruns and noncompletion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such construction is not completed in a timely manner, or if it costs more than budgeted, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on a Client's loan investment, which could result in significant losses.

Risks Associated with Credit Rating Downgrades. Investments made by certain Clients may be rated by rating agencies such as Moody's Investors Service, Fitch Ratings, Standard & Poors, DBRS, Inc. or Realpoint LLC. Any credit ratings on such investments are subject to ongoing evaluation by credit rating agencies, and there can be no assurance that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of investments in the future, the value of such investments could significantly decline, which would adversely affect the value of the Clients' investment portfolios and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to such Clients.

Risks Associated with Commercial Mortgage Backed Securities Investments. Certain Clients may acquire CMBS. In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the “first loss” subordinated security holder (generally, the “B-Piece” buyer) and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which a Client invests, such Client will not be able to recover all of its investment in the securities it purchases. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline, less collateral value would be available to satisfy interest and principal payments due on the related mortgage-backed securities. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments.

With respect to the CMBS in which a Client may invest, overall control over the special servicing of the related underlying mortgage loans will be held by a “directing certificate holder” or a “controlling class representative,” which is appointed by the holders of the most subordinated class of CMBS in such series. Because a Client may acquire classes of existing series of CMBS, such Client will not have the right to appoint the directing certificate holder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate holder, take actions with respect to the specially serviced mortgage loans that could adversely affect a Client’s interests.

Risks Related to Changes to the Method of Determining the London Interbank Offered Rate (“LIBOR”). National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices that are deemed to be “reference rates.” Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates.

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that the FCA would phase out LIBOR by the end of 2021. On March 5, 2021, the ICE Benchmark Administration Limited (“IBA”), which administers LIBOR notified the FCA that it intended to cease publishing (i) the principal LIBOR tenors in four currencies (GBP, EUR, CHF and JPY) immediately after December 31, 2021, (ii) the one week and two month tenors of USD LIBOR immediately after December 31, 2021, and (iii) all other USD LIBOR tenors (e.g., overnight, one month, three month, six month and twelve month) immediately after June 30, 2023. On the same day, the FCA, as supervisor of IBA, issued a separate announcement confirming that the IBA had notified the FCA of its intent to cease providing all LIBOR settings as of the dates provided above. IBA ceased publishing GBP, EUR, CHF and JPY LIBOR rates as of January 1, 2022.

The nominated replacement for USD-LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the nominated replacement for GBP-LIBOR is the Sterling Overnight Interbank Average Rate (“SONIA”). In March 2020, the Federal Reserve began publishing 30-, 90- and 180-day tenor SOFR Averages and a SOFR Index and in July 2020, Bloomberg began publishing fall-backs that the International Swaps and Derivatives Association (“ISDA”) implemented in lieu of LIBOR with

respect to swaps and derivatives. In July 2021, the CME Group's forward-looking SOFR term rates were formally recommended by the Alternative Reference Rates Committee.

Changes in the method of calculating the remaining LIBOR settings, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect the market for LIBOR based securities, including LIBOR indexed and floating rate debt securities, which comprise a significant portion of some of our Clients' portfolios, or the cost of borrowings of our Clients that utilize LIBOR-based leverage. In addition, there can be no assurance that any replacement to LIBOR will gain wide market acceptance, nor whether multiple substitute benchmarks will develop that (taken as a whole) have sufficiently robust trading volumes. There can also be no assurance that any such replacement(s) or substitute(s) will necessarily be an improvement over LIBOR in its current (or modified) form. Any reduction or elimination of LIBOR as a global benchmark going forward could adversely affect the value and liquidity of our Clients' investments, especially if a Client's investments bear interest based on LIBOR, and/or could cause an absence of available investments until an alternative benchmark becomes generally accepted in the marketplace. In addition, an increase in alternative types of financing at the expense of LIBOR-based corporate loans may have a material adverse effect on the market value of a Client's investments, which, in turn, could have a material adverse effect on the Client's ability to achieve its investment objectives.

Hedging Policies/Risks. Certain Clients may pursue various hedging strategies to seek to reduce their exposure to adverse changes in interest rates or currencies. This hedging activity may vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect them because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- due to a credit loss, the duration of the hedge may not match the duration of the related liability;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

In addition, ACREM may fail to recalculate, readjust and execute hedges in an efficient manner. Any hedging activity in which ACREM engages may materially and adversely affect its Clients. Therefore, while ACREM may enter into such transactions seeking to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if ACREM had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, ACREM may not seek to establish a perfect correlation between such hedging instruments

and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent ACREM and its Clients from achieving the intended hedge and expose the Clients to risk of loss.

Leverage. Certain Clients' return on investment is dependent upon their ability to use leverage. Such Clients' ability to obtain the leverage necessary on attractive terms depends upon many factors including market conditions and the Clients' performance. The failure to obtain leverage at the contemplated advance rates, pricing and other terms could have a material adverse effect on such Clients. In addition, a Client may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Client's investments). Because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Leverage creates an opportunity for increased returns, but at the same time creates risks. There can be no assurance that Clients' use of leverage will prove to be beneficial. Moreover, there can be no assurance that Clients will be able to meet their debt service obligations and, to the extent that they cannot, such Clients risk the loss of some or all of their assets or a financial loss if the Clients are required to liquidate assets at a commercially inopportune time. In addition, the debt may be recourse for such Clients so an impairment or potential impairment of an investment may create a risk of loss of some or all of their assets.

In addition, the portfolio investments in which our Clients invest may use leverage for a variety of purposes, including, but not limited to, funding growth initiatives, leveraging existing investments to permit distributions or additional investments and bridging funding for investments in advance of capital calls. Leverage generally magnifies opportunities for gain and risk of loss from a particular investment. The leverage used by our portfolio investments may take the form of indebtedness for borrowed money as well as financial leverage in the form of short sales, forward contracts, options, derivatives, and other similar transactions, which may expose our Clients to greater risks than if such portfolio investments did not use leverage. This leverage could accelerate and magnify declines in the value of our portfolio investments in a down market. Gains made with borrowed funds generally would cause the portfolio investments' value to increase faster than without borrowed funds. However, losses incurred with borrowed funds would cause the portfolio investments' value to decrease faster and more significantly than without the use of borrowed funds. Money borrowed for the purpose of leveraging investments will also be subject to interest costs as well as financing, transaction and other fees and costs that may not be recovered by returns on the portfolio investments.

Construction loans involve an increased risk of loss. Certain Clients invest in and may continue to invest in construction loans. If such Clients fail to fund their entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including, but not limited to: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against the client for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

Concentration of Portfolio Investments. Certain Clients may concentrate their investment focus on certain property types that are subject to higher risk of foreclosure or loss, or on properties (or investments secured by properties) concentrated in a limited number of geographic locations. To the extent that any Client's portfolio is concentrated in any one region or type of asset, downturns relating generally to such region (which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors) or type of asset (such as oversupply of or reduced demand for industrial properties) may result in defaults on a number of investments within a short time period. There can be no assurance that the economy of the targeted areas will continue to grow or that any future growth will meet historical growth rates. These factors may reduce the Clients' net income and adversely affect the funds available for distribution to the Underlying Investors.

Risks Associated with Environmental Liabilities Arising from Foreclosed or other Properties. To the extent Clients own real estate or foreclose on properties with respect to which they have extended mortgage loans, such Clients may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances may adversely affect an owner's ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying a Client's debt investments becomes liable for removal costs, the ability of the owner to make payments may be reduced, which in turn may adversely affect the value of the relevant mortgage asset held by such Client. The presence of hazardous substances on a property may adversely affect a Client's ability to sell foreclosed or other property and the Client may incur substantial remediation costs.

Adoption of the Basel III standards and other proposed supplementary regulatory standards may negatively impact our access to financing or affect the terms of our future financing arrangements. United States regulators have elected to implement substantially all of the Basel III standards adopted by the Basel Committee on Banking Supervision several years ago in response to various financial crises and the volatility of financial markets. As of 2019, financial institutions are required to fully comply with the Basel III standards, which could cause an increase in capital requirements for, and could place constraints on, the financial institutions from which ACREM and its Clients borrow. In January 2018, U.S. regulators implemented rules requiring enhanced supplementary leverage ratio standards, which would impose capital requirements more stringent than those of the Basel III standards for the most systematically significant banking organizations in the United States. Implementation of the Basel III standards and adoption and implementation of the supplemental regulatory standards adopted by U.S. regulators may negatively impact ACREM and its Clients' access to financing or affect the terms of our future financing arrangements. In 2019, the Basel Committee published further revised capital requirements for market risk, known as Fundamental Review of the Trading Book or FRTB, which are expected to generally result in higher global capital requirements for banks that could, in turn, reduce liquidity and increase financing and hedging costs. U.S. federal bank regulatory agencies have yet to issue a formal FRTB proposal. The impact of FRTB will not be known until after any resulting rules are finalized and implemented by the U.S. federal bank regulatory agencies.

Item 9 - Disciplinary Information

Except as described below, neither ACREM nor any of its executive officers, members of its investment committees or portfolio management committees or other “management persons” as defined in Form ADV has been subject to legal or disciplinary events related to this Item.

On May 26, 2020, without admitting or denying any wrongdoing, Ares Management consented to the entry of an administrative and cease-and-desist order (the “Order”) instituted by the SEC. According to the Order, in 2016, Ares Management’s written policies and procedures regarding the prevention of misuse of potentially material nonpublic information (“MNPI”) were not sufficiently implemented and enforced in certain circumstances when Ares Management had an employee serving on the board of directors of a public company in which one of its Clients was invested. The Order did not find any misuse of MNPI by Ares Management or its employees; however, the Order included findings of violations of Section 204A and Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder with respect to the implementation and enforcement of its written procedures. The Order includes cease and desist provisions and a censure, and payment of a civil penalty in the amount of \$1 million.

From time to time, ACREM and/or its employees are subject to regulatory inquiries, litigation, investigations, disputes related to investment and employment-related matters and other potential claims arising out of the ordinary course of business. Neither ACREM nor any of its management persons has been the subject of any material legal or disciplinary proceedings that we believe are material to a Client’s evaluation of its business or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Management Capital Markets LLC (“AMCM”), a wholly owned subsidiary of Ares Management, the Firm’s parent company, is a broker-dealer currently registered with the SEC and is a member of the Financial Industry Regulatory Authority. AMCM is authorized to provide the following services to Ares Management and its affiliates, including our Clients, and third parties: (i) underwriting firm commitment and best-efforts offerings of securities (as well as acting as a selling group participant), (ii) marketing registered and private funds, (iii) conducting private placements, (iv) acting as a broker or dealer for corporate debt securities, (v) acting as an underwriter or sponsor for investment companies, and (vi) providing capital markets advisory services.

AMCM acts as a placement agent for certain Clients sponsored by Ares Management and its affiliates, including ACREM. Certain Ares Management employees that are involved in marketing activities are registered representatives of AMCM. Although a Client will not directly pay any compensation to AMCM for such services, ACREM is responsible for paying certain expenses of the operation of AMCM. Such payments may be considered to be compensation to AMCM. If compensation is received, such compensation would be made on a fully disclosed basis. Any such compensation would generally be determined through negotiation and charged at market rates.

AMCM is authorized to and may in the future provide capital markets advisory services, acting as, among other roles, an underwriter, syndicator and placement agent of securities of corporate

issuers in private and public offerings for ACREM and its affiliates, including our Clients, and third parties. AMCM is authorized to and may in the future manage or otherwise participate in underwriting syndicates with respect to the securities of portfolio investments in which our Clients invest, including in respect of securities or other instruments of such portfolio investments in which our Clients have not invested. AMCM may also provide capital markets services to third parties that are not portfolio investments including third parties that are competitors of ACREM or one or more of its affiliates or portfolio investments of Clients.

Ares Wealth Management Solutions, LLC (“AWMS”), a wholly owned subsidiary of Ares Management, the Firm’s parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority. AWMS’s primary business is the wholesale distribution of REITs, non-traded registered investment companies and business development companies, and private placements of real estate related securities offered by certain funds sponsored by Ares Management and its affiliates and for certain Clients of ACREM. AWMS serves as dealer manager for the public offerings of the Non-Traded REITs. In this role, AWMS receives selling commissions, dealer manager fees and distribution fees in connection with certain classes of shares of the Non-Traded REITs (collectively, the “Dealer Manager Fees”), which are indirectly borne by the Underlying Investors. AWMS may reallocate some or all of these fees to participating broker dealers. In addition, AWMS provides dealer manager services and receives Dealer Manager Fees in connection with the DST Program. Underlying Investors in the Non-Traded REITs and the DST Program should consult the applicable Governing Documents for a description of the Dealer Manager Fees.

Relationships with Related Persons

Ares Management, the parent company of ACREM and an SEC-registered investment adviser, is also the parent company of the following SEC-registered investment advisers:

- Ares Capital Management LLC (“ACM”), the investment manager of most of Ares’ U.S. Direct Lending Funds and institutional accounts including Ares Capital Corporation (“ARCC”) and Ares Strategic Income Fund, each of which is a closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act. In addition, ARCC directly or indirectly owns the equity and voting interests of its portfolio company, Ivy Hill Asset Management, L.P. (“Ivy Hill”), an SEC-registered investment adviser; and
- Ares Capital Management II LLC (“ACM II”), the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”; NYSE:ARDC) a non-diversified closed-end registered management investment company. ACM II also provides advisory services to Ares Private Markets Fund and CION Ares Diversified Credit Fund, each of which is a registered investment company.

Ares Management is also the majority owner of CION Ares Management, LLC (“CAM”), an SEC-registered investment adviser and the investment adviser of CION Ares Diversified Credit Fund.

In addition, several advisory entities controlled by Ares are relying advisers included in Ares’ umbrella registration. Some of these relying advisers are registered with foreign financial regulatory authorities, including:

- the UK Financial Conduct Authority in the United Kingdom;

- the Commission de Surveillance du Secteur Financier in Luxembourg;
- the Cayman Islands Monetary Authority;
- the Securities and Futures Commission in Hong Kong;
- the Monetary Authority of Singapore;
- the Financial Services Commission in the Republic of Mauritius; and
- the Australian Securities and Investments Commission.

ACREM's related parties also include affiliates of Ares Management's that are investment advisers to the various investment management clients managed within the Ares platform, including the Clients, and are the general partners and, in many cases, limited partners of such Clients.

ACREM and its related persons are the sponsors and, in certain cases, may also be investors of the Clients. Certain ACREM personnel may spend substantially all of their business time on one or more Clients as required pursuant to the terms of the relevant Governing Documents.

In the event that an investment opportunity that ACREM evaluates for potential investment by its Clients is an eligible investment for more than one Client, it is ACREM's policy that all investment opportunities will, to the extent practicable, be allocated among its Clients on a basis that over a period of time is fair and equitable to each Client relative to other clients, taking into account all relevant facts and circumstances. See discussion under "*Item 6 – Performance-Based Fees and Side-by-Side Management*" above for more detail on ACREM's investment allocation policy.

Principals, officers and certain employees of ACREM, members of their families and related persons of ACREM may participate directly or indirectly as investors in certain Clients as described in the applicable Client Governing Documents, which investments may be in privately negotiated transactions at varying prices.

ACREM may recommend to Clients the purchase or sale of securities in which it, or a principal, officer or related person thereof, has a financial interest. In addition, ACREM permits its principals and officers to engage in personal securities transactions, subject to compliance with its Code of Ethics.

For a general discussion of how ACREM addresses resulting conflicts of interest, see discussion under "*Item 11 – Code of Ethics*" below.

Selection or Recommendation of Other Advisers

ACREM does not recommend or select other third-party investment advisers for its Clients. Except for Ares Management (ACREM's parent), ACM and ACM II, each a subsidiary of Ares Management and ACREM's related persons, CAM and Ivy Hill, ACREM does not have business relationships with other advisers that create a material conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Statement of Business Ethics and Code of Ethics

Ares Management has adopted an Ethics Policy (the “Code”) pursuant to Rule 204A-1 under the Advisers Act that applies to ACREM and sets forth standards of business and fiduciary conduct that ACREM requires of Covered Persons (as defined in the Code). The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons, ACREM, and its clients and prevent violation of federal securities laws. The Code provides that no Covered Person may engage directly or indirectly in any business in a manner detrimental to the clients or use confidential information gained by reason of his or her employment by or affiliation with Ares Management in a manner detrimental to clients. The Code includes, among other things: a) policies and procedures regarding personal securities transactions; and b) disclosure and reporting obligations of personal securities transactions and holdings. The reporting and pre-clearance requirements of the Code apply to all ACREM employees and immediate family members living in their household. Under the Code, transactions involving the purchase or sale of certain securities are subject to pre-clearance, reporting and minimum holding requirements. All ACREM employees are required to make compliance certifications attesting to compliance with the Code on a quarterly and annual basis. The compliance certifications are administered through Ares Management’s compliance portal.

The Code is available upon the written request of any Client, Underlying Investor or a prospective investor.

Participation or Interest in Client Transactions

As general partners, limited partners or investors in certain Clients, ACREM and its related persons have indirect beneficial interests in the securities owned by such Clients and will share in any profits and losses generated by such Clients’ investments. The Code requires that before, or at the time that, a Covered Person recommends or authorizes the purchase or sale of a Covered Security (as defined in the Code) by a Client, he or she must disclose to the Chief Compliance Office (“CCO”): a) any beneficial ownership in such Covered Security that he or she has or proposes to acquire; b) any interest he or she has or proposes to acquire in any third party account in which such Covered Security is held; c) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and d) any interest in or business relationship with the issuer of such Covered Security that a Covered Person and his or her Covered Family Members (as defined in the Code) has or proposes to acquire.

In addition, ACREM and its related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Clients in connection with certain “warehousing” transactions, provided that the sale is consistent with ACREM’s fiduciary obligations to such collective investment vehicles. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Client (which, in certain circumstances, may be provided by the Client’s advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

ACREM's principals may invest or transact with certain Clients, as described in the applicable Governing Documents.

ACREM has adopted an allocation policy designed to ensure that all investment opportunities are, to the extent practicable, allocated among its Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients as well as a co-investment policy designed to ensure fair allocation of co-investment opportunities amongst the Clients.

Personal Trading

The Code covers personal trading policies and procedures of all Covered Persons and their Covered Family Members. Under the Code, Covered Persons and their Covered Family Members are permitted to trade in securities for their own accounts so long as they follow the Code, which contains certain preclearance requirements, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for Covered Securities transactions in a Covered Person's or a Covered Family Member's account, Covered Persons are required to obtain preclearance approval from the Compliance Department. Covered Securities purchased by a Covered Person or a Covered Family Member are generally subject to a minimum holding period. The Code also requires that all Covered Securities holdings and transaction information in Covered Securities accounts be disclosed to the Compliance Department. Any transactions by a Covered Person in securities or investments that are held by one or more Clients are generally subject to a blackout period after any Client has traded in any security of that issuer and may further be restricted further by a Client's Governing Documents. The Code's procedures are administered by the Firm's Compliance Department. On a quarterly basis, Covered Persons must certify to all Covered Securities transactions, effected by them or their Covered Family Members, including the nature of the transaction, the price of the security and the name of the broker, dealer or bank with or through which the transaction was effected. On an annual basis, Covered Persons must provide a full accounting of Covered Securities holdings held by them and their Covered Family Members. Covered Securities transactions over which the Covered Person or their Covered Family Members had no direct or indirect influence or control are exempt from these reporting requirements. Lastly, Covered Persons are periodically required to certify that they have read and understand the Firm's compliance policies, including the Code, and certify that they have complied with the provisions of the Code.

Other Potential Conflicts

Certain Ares Management employees and/or their Covered Family Members own private placement interests, including but not limited to, investments in private pooled investment vehicles, other private funds and in single business entities, which could result in a conflict of interest between a Client and the employee in light of a potential personal benefit to the employee. A conflict could arise when an employee invests in an issuer and/or their affiliates who may become a portfolio company, competitor, service provider, counterparty, sponsor or any other business partner of Ares Management, ACREM and/or its Clients. In order to mitigate such potential conflicts, these investments are monitored through the pre-clearance and reporting requirements under the Code.

Ares Management also requires certain outside business activities to be reported and monitored to avoid potential or actual conflicts of interest. Such activities require prior written approval from

the CCO and the Covered Person's direct supervisor, may be subject to restrictions or conditions and such approval is revocable at any time.

From time to time, subject to the applicable Governing Documents, a Client may engage in cross trades with one or more other Clients, typically for purposes of rebalancing its portfolios, in order to further such participating Client investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Clients. Neither ACREM nor its affiliates will receive commission or similar fees in connection with such cross trades. Generally, the value of any positions that are cross-traded in this manner will be determined in a manner that is consistent with applicable policies.

Certain ACREM personnel may receive discounts on products and services offered by companies in which a Client is an advisor or investor or otherwise has interest, similar to what would be given to an employee of such company. In addition, ACREM may engage certain of its Clients' portfolio companies to provide goods and services. In these instances, ACREM engages with the portfolio investment at an arm's length, and the portfolio investment provides the same pricing and service levels as it would any comparable client or purchaser. In addition, before entering into any business relationship with any Client's portfolio company, the arrangements are reviewed by Ares Management General Counsel or CCO, who must approve each arrangement on a case-by-case basis.

Item 12 - Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Client as set forth in the Governing Documents thereof, ACREM has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each Client, including the selection of, and commissions paid to, brokers.

ACREM typically originates and engages in privately negotiated transactions directly with borrowers and does not utilize broker-dealers to effect portfolio investments. However, in certain transactions, including but not limited to investments in CMBS and CRE CDO bonds, ACREM may effect transactions through a broker-dealer. In selecting broker-dealers to effect transactions, ACREM seeks to obtain best execution by considering various factors in addition to the quantitative factors such as price or spreads/commission rates, including, but not limited to, ability to maintain the confidentiality of trading intentions, timeliness and certainty of execution, liquidity of the securities traded, ability to place trades in difficult market environments, ability to access a variety of market venues, expertise in specific securities, credit quality, financial condition (counterparty risk) and business reputation. While ACREM generally seeks reasonably competitive trade execution costs, a client account will not necessarily pay the lowest spread or commission available.

Research and Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. ACREM does not engage in soft dollar arrangements.

ACREM will not consider, in selecting or recommending broker-dealers, whether it will receive client referrals.

ACREM does not permit Clients to direct brokerage.

Item 13 - Review of Accounts

Review of Client Accounts

ACREM monitors all portfolio investments on behalf of each Client on an ongoing basis. Investments are reviewed in the context of each Client's (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance. Subsequent to an initial investment, each position is monitored on an ongoing basis by at least one investment professional. The monitoring may include ongoing dialogue with a borrower's management, property management personnel, leasing agents, financing sources, rating agencies, competitors, and other industry sources. In addition, a Client's investments as well as a Client's overall performance and adherence to its investment mandates and restrictions are monitored on an ongoing basis by senior investment professionals, including portfolio managers.

Reports to Clients

ACREM provides periodic reports to Underlying Investors as required by the applicable Governing Documents or otherwise agreed upon with a Client or Underlying Investor. Underlying Investors should refer to the applicable Governing Documents for further information regarding the types and substance of the reports provided to Underlying Investors.

The Governing Documents and U.S. federal securities laws applicable to ACREM's Clients require annual audited financial statements to be distributed to Underlying Investors. Furthermore, ACREM also generally provides on a periodic basis (typically, quarterly), unaudited performance and financial reports written to Underlying Investors. In connection with the delivery of such periodic reports, ACREM may be required by Underlying Investors to make the appropriate personnel available to present the reports and answer questions in respect thereof, or to make additional reasonable presentations and reports.

ACREM distributes federal income tax-related schedules and information to Underlying Investors, where applicable, and provides certain other reports and analyses to Underlying Investors and potential investors upon request.

Finally, ACREM hosts annual investor meetings and calls and other interim calls as appropriate for certain Clients.

Item 14 - Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by certain Clients, ACREM or its related persons receive commitment, structuring, monitoring and other transaction fees from certain portfolio investments in which Clients may invest or propose to invest. The potential for ACREM and its related persons to receive such economic benefits may create conflicts of interest as ACREM and its related

persons may have economic incentives to invest in portfolio investments that provide such benefits. To mitigate potential conflicts, such benefits received by ACREM in connection with its services related to portfolio companies or transactions are generally offset against Advisory Fees payable by the related Client.

Third Party Compensation for Client Referrals

Clients may incur sales charges to compensate broker-dealers who assist in obtaining subscriptions. The sales charge may be payable by Underlying Investors, one or more Clients, the general partner (or equivalent thereof), ACREM, Ares Management or a combination thereof. In addition, ACREM may compensate third parties who refer prospective or actual investors to its Client. AWMS serves as dealer manager for the public offerings of the Non-Traded REITs. In this role, AWMS receives Dealer Manager Fees in connection with certain classes of shares of the Non-Traded REITs, which are indirectly borne by the Underlying Investors. Please see “*Item 10. Other Financial Industry Activities and Affiliations*” for more information.

Certain of the solicitors or placement agents utilized to market Clients as well as individuals employed by such solicitors or placement agents, may from time to time invest in the Clients and may not pay, or pay reduced, Advisory Fees with respect to their investment(s). In addition, ACREM may transact Client orders through broker/dealers that also act as solicitors or placement agents for its Clients.

ACREM endeavors at all times to put the interests of its Client first as part of ACREM’s fiduciary duty. Nevertheless, the receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to Clients. Moreover, potential conflicts of interest may arise between the interests of such Clients in obtaining best price and execution and ACREM’s interest in receiving future referrals to such Clients from certain broker-dealers. ACREM addresses these potential conflicts of interest by seeking to obtain best execution by considering factors set forth in the sub-section titled “*Brokerage Practices*” above.

Item 15 - Custody

It is ACREM’s general policy not to have physical custody of any Client assets. However, ACREM may be deemed to have custody of the assets of a certain Client because of the authority it or a related party has over such Client or its assets. It is ACREM’s policy generally to cause Clients with assets over which ACREM is deemed to have “custody” to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to Underlying Investors no later than 120 days after the end of each fiscal year (180 days if the Client is a “fund of funds”). In addition, upon the final liquidation of any such Client, ACREM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Client to all Underlying Investors promptly after completion of the audit.

In the alternative, where ACREM is deemed to have custody of a Client solely due to its ability to withdraw Client funds to pay its Advisory Fees, ACREM may comply with the custody rules under the Advisers Act by having a reasonable belief that a qualified custodian will send quarterly account statements to each Underlying Investor or Client. ACREM urges all Clients and

Underlying Investors to compare the reports they receive from ACREM to the statements they receive from their custodians. Any issues or discrepancies should be communicated to ACREM promptly.

Item 16 - Investment Discretion

Subject to the investment objectives, policies and restrictions of each Client and as set forth in the Governing Documents thereof, ACREM has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each such Client, including the selection of, and commissions paid to, broker-dealers.

With respect to certain Clients or accounts managed on behalf of a single investor, ACREM is required to obtain investor consent for investment decisions and certain other actions. ACREM deems these accounts to be managed on a non-discretionary basis.

Item 17 - Voting Client Securities

Client accounts managed by ACREM may infrequently acquire voting securities. In instances where a Client owns equity securities in which it has the right to vote via shareholder proxy (each a “Voting Security”), ACREM generally retains proxy voting authority with respect to these Voting Securities. Ares Management has adopted and implemented written Proxy Voting Policies and Guidelines (“Proxy Voting Guidelines”) that are applicable to its affiliates, including ACREM, and are reasonably designed to ensure that ACREM votes proxies in the best interests of its advisory clients for whom ACREM has voting authority.

The Proxy Voting Guidelines describe the positions ACREM generally takes in voting proxies on particular issues and require ACREM to keep records with respect to the votes cast.

The Proxy Voting Guidelines also provide that, in the event a particular proxy vote would involve a conflict between the interests of ACREM and its affiliates, and those of one or more Clients of ACREM, ACREM, if it so elects, may:

- vote in accordance with the recommendations of a disinterested third party;
- refer the voting decision to the client; or
- abstain from voting.

Some examples of potential conflicts can include;

- ACREM provides investment advice to an officer or director of an issuer and ACREM receives a proxy solicitation from that issuer;
- An issuer or some other third party offers ACREM or an employee, officer or director of Ares Management compensation in exchange for voting a proxy in a particular way;
- An employee, officer or director of Ares Management or a member of such person’s household has a personal or business relationship with an issuer;
- An employee, officer or director of Ares Management has a beneficial interest contrary to the position held by ACREM on behalf of a Client;

- ACREM holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios; or
- Any other circumstance where ACREM's duty to service its Clients' interest could be compromised.

ACREM will not delegate its voting authority to any third party, although it may retain an outside service to provide voting recommendations and to assist in analyzing votes.

Clients may obtain a copy of Ares Management's Proxy Voting Guidelines or information about how ACREM voted client proxies by contacting Ares Management's Compliance Department at (310) 201-4100.

Item 18 - Financial Information

Not Applicable.