Risk Factors Comparison 2024-02-06 to 2023-02-08 Form: 10-K

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Our business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect our business, financial condition, results of operations and ability to make distributions to stockholders and could cause the value of our capital stock to decline. RISKS RELATED TO OUR BUSINESS AND STRUCTURE We operate in a competitive market for investment opportunities and future competition may limit our ability to acquire desirable target assets or dispose of our target assets and could also affect the pricing of these securities. A number of entities compete with us to make the types of investments that we target. We compete with other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. In addition, other REITs with similar asset acquisition objectives, including others that may be organized in the future, compete with us in acquiring assets and obtaining financing. These competitors may be significantly larger than us, may have access to greater capital and other resources or may have other advantages. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT qualification or maintenance of our exclusion from registration under the 1940 Act. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive opportunities from time to time, and we can offer no assurance that we will be able to identify and acquire assets that are consistent with our objectives. Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, a misappropriation of funds, and / or damage to our business relationships, all of which could negatively impact our financial results. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The risk of a security breach or disruption, particularly through cyber- attacks or cyber intrusions, including by computer hackers, nation- state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, and will likely continue to increase in the future. **Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer" hackers," threat actors," hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation- state- supported actors. Some actors now engage and are expected to continue to engage in cyberattacks, including, without limitation, nation- state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third- party service providers upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyberattacks.** The result of these incidents could include disrupted operations, misstated or unreliable financial data, disrupted market price of our common stock, misappropriation of assets, liability for stolen assets or information, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our investor relationships. These risks require continuous and likely increasing attention and other resources from us, Apollo and third- party service providers to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for the Manager' s employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that such efforts will be effective. Additionally, the cost of maintaining such systems and processes, procedures and internal controls may increase from its current level. In the normal course of business, we and our third- party service providers collect and retain certain personal information provided by borrowers, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on our systems established by us and our service providers will be able to prevent unauthorized access to this personal information. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we and our service providers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us and our service providers to entirely mitigate this risk. ~~Our business depends on~~ **Remote work has become more common among** the ~~communications~~ **employees** and **personnel** ~~information systems~~ of **the Manager,** Apollo and other third- party service providers **and has increased risks to the information technology systems and confidential, proprietary, and sensitive data of the Manager, Apollo and other third- party service providers as more of those employees utilize network connections, computers, and devices outside of the employer' s premises or network, including working at home, while in transit, and in public locations. Those employees working remotely could expose the Manager, Apollo and other third- party service providers to additional cybersecurity risks and vulnerabilities as their systems could be negatively affected by vulnerabilities present in external systems and technologies outside of their control. Our business depends on the communications and information systems of Apollo and other third- party service providers** . Such systems may fail to operate properly or become disabled as a result of cyber incidents. Any failure or interruption of the systems of Apollo or any other counterparties that we rely on could cause delays or other problems and could have a material adverse effect on our operating results. None of ~~we~~ **us**, the Manager or Apollo ~~has~~ **have** experienced any material breach of cybersecurity. However, we can provide no assurance that the networks and systems that we, the Manager, Apollo or our third- party service providers have established or use will be effective. As our reliance on technology has increased, so have the risks posed to our communications and information systems, both internal and those provided by the Manager, Apollo and third- party service providers. Apollo' s processes, procedures and internal controls that are designed to mitigate cybersecurity risks and cyber intrusions do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident. **Despite the security policies and procedures, Apollo has implemented that were designed to safeguard our systems and confidential, proprietary, and sensitive data and to manage cybersecurity risk, there can be no assurance that these measures will be effective. Apollo takes steps to monitor and develop our information technology networks and infrastructure and invest in the development and enhancement of our controls designed to prevent, detect, respond to, and mitigate the risk of unauthorized access, misuse, computer viruses, and other events that could have a security impact.** Even if we are not targeted directly, cyberattacks on the U. S. and foreign governments, financial markets, financial institutions, or other businesses, including borrowers, vendors, software creators, cybersecurity service providers, and other third parties with whom we do business **and rely**, may occur, and such events could disrupt our normal business operations and networks in the future. We cannot assure our stockholders of our ability to pay dividends in the future. We are generally required to annually distribute to our stockholders at least 90 % of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the" Internal Revenue Code"). We currently intend to make quarterly distributions of all or substantially all of our REIT taxable income in each year. Dividends will be declared and paid at the discretion of our board of directors and will depend on our REIT taxable earnings, our financial condition, maintenance of our REIT qualification and such other factors as the board may deem relevant from time to time. Our ability to pay dividends may be negatively impacted by adverse changes in our operating results. We cannot predict the unintended consequences and market distortions that may stem from far- ranging governmental intervention in the economic and financial system or from regulatory reform of the oversight of financial markets. The laws and regulations governing our operations, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business. The U. S. government, the U. S. Federal Reserve, the U. S. Treasury **Department**, the SEC and other governmental and regulatory bodies have taken or are taking various actions involving intervention in the economic and financial system and regulatory reform of the oversight of financial markets. In 2010, former President Obama signed into law the Dodd- Frank Wall Street Reform and Consumer Protection Act (the" Dodd- Frank Act"), which has changed the regulation of financial institutions and the financial services industry, including the mortgage industry. The current regulatory environment may be impacted by recent and potential future legislative developments, such as amendments to key provisions of the Dodd- Frank Act **, as well as future political developments, such as federal election outcomes**. The Biden Administration **has** ~~is likely to take~~ **taken** a more active approach to banking and financial regulation than the prior Trump Administration, **and may take further actions** particularly to promote policy goals involving climate change, racial equity, ESG matters, consumer financial protection and infrastructure **, among others**, which could affect our business and operations if enacted. However, with a Republican majority in the U. S. House of Representatives, we cannot predict whether the Biden Administration will be able to enact any significant legislative measures in these areas. In addition, the substance of regulatory supervision may be influenced through the appointment of individuals to the U. S. Federal Reserve Board and other financial regulatory bodies. With the support of a Democratic majority in the Senate, President Biden may be more likely to be able to have his nominees to such bodies confirmed and, accordingly, carry out the Administration' s regulatory agenda. We cannot predict the ultimate content, timing, or effect of legislative and regulatory actions under the Biden Administration, nor is it possible at this time to estimate the impact of any such actions which could have a dramatic impact on our business, results of operations and financial condition. The Manager may be unable to operate us within the parameters that allow the Manager to be exempt from regulation as a commodity pool operator, which would subject us to additional regulation and compliance requirements, and could materially adversely affect our business and financial condition. The enforceability of agreements underlying certain derivative transactions may depend on compliance with applicable statutory and other regulatory requirements and, depending on the identity of the counterparty, applicable international statutory and regulatory requirements. Regulations have been promulgated by U. S. and foreign regulators attempting to strengthen oversight of derivative contracts. The Dodd- Frank Act established a comprehensive regulatory framework for swaps and security- based swaps, including mandatory clearing, execution and reporting requirements, which may result in increased margin requirements and costs. In addition, any investment fund that trades in swaps may be considered a" commodity pool," which would cause its operator to be regulated as a" commodity pool operator" (a" CPO"). In December 2012, the Commodity Futures Trading Commission (" CFTC"), issued a no- action letter giving relief to operators of mortgage REITs from any applicable CPO registration requirement. In order for the Manager to qualify for the no- action relief, we must, among other non- operation requirements: (1) limit our initial margin and premiums for commodity interests (swaps and exchange- traded derivatives subject to the jurisdiction of the CFTC) to no more than 5 % of the fair market value of our total assets; and (2) limit our net income from commodity interests that are not" qualifying hedging transactions" to less than 5 % of its gross income. The need to operate within these parameters could limit the use of swaps and other commodity interests by us below the level that the Manager would otherwise consider optimal or may lead to the registration of the Manager or our directors as commodity pool operators, which will subject us to additional regulatory oversight, compliance and costs. The **long term impact** ~~United Kingdom' s exit~~ from ~~the European Union could materially adversely affect our business, financial condition and results of operations. The United Kingdom left the European Union on January 31, 2020, an event commonly referred to as" Brexit." The United Kingdom and the European Union have entered into a trade and cooperation agreement governing certain aspects of their relationship. The agreement addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. However, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before Brexit. These developments have had and may continue to have a material adverse effect on global economic conditions and financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Since we and our borrowers rely on access to the financial markets in order to refinance our debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce our and our borrowers' ability to refinance existing and future liabilities or gain access to new financing, in each case on favorable terms or at all. For these reasons, Brexit could have adverse consequences on our business, financial condition and results of operations. As of December 31, 2022, we had $ 2. 5 billion, or 28. 4 %, of our portfolio (by carrying value) invested in the United Kingdom. Major~~ **major** public health **events** ~~issues, including the ongoing COVID- 19 pandemic,~~ and related disruptions in the U. S. and global economy and financial markets could adversely impact or disrupt our financial condition and results of operations. ~~In recent years, the outbreaks of a number of diseases, including avian influenza, H1N1, and other viruses have increased the risk of a pandemic or major public health issues. Since December 2019, COVID- 19 and its variants have spread globally, including in the United States, and have continued to adversely impact global economic activity and contribute significant volatility in financial markets.~~ We believe that our, Apollo' s and the Manager' s ability to operate, our level of business activity and the profitability of our business, as well as the values of, and the cash flows from, the assets we own, **could** ~~have been, and may continue to~~ be impacted by the effects of ~~COVID- 19 and could in the~~ future ~~be impacted by another pandemic~~ **pandemics** or other major public health issues. While we have implemented risk management and contingency plans and taken preventive measures and other precautions, no predictions of specific scenarios can be made with certainty and such measures may not adequately predict the impact on our business from such events. The effects of **future** ~~COVID- 19 or another pandemic~~ **pandemics or other major public health issues** could adversely impact the value of our assets, business, financial condition, results of operations and cash flows, and our ability to operate successfully ~~due to, among~~ **. The extent of the impact of future pandemics and** other **major** ~~factors: • difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the financial markets or deteriorations in credit and financing conditions may affect our ability and our borrowers' ability to make regular payments of principal and interest (whether due to an inability to make such payments, an unwillingness to make such payments, or a waiver of the requirement to make such payments on a timely basis or at all); • fundamentally changing the manner and frequency in which commercial real estate is used; • the extent the value of commercial real estate declines, which would also likely negatively impact the value of the loans we own, which could lead to additional margin calls; • our ability to continue to satisfy any additional margin calls from our lenders and to the extent we are unable to satisfy any such margin calls, any acceleration of our indebtedness, increase in the interest rate on advanced funds, termination of our ability to borrow funds from them, or foreclosure by our lenders on our assets; • our ability to remain in compliance with the financial covenants in our financing agreements with our lenders in the event of impairments in the value of the loans we own; • disruptions to the efficient function of our operations because of, among other factors, any inability to access short- term or long- term financing for the mortgage loans and other real estate-related loans we make; • our need to sell assets, including at a loss; • to the extent we elect or are forced to reduce our loan origination activities; • inability of borrowers under our construction loans to continue or complete construction as planned for their operations, which may affect their ability to complete construction and collect rent and, consequently, their ability to pay principal or interest on our construction loans; • inability by loan servicers to operate in affected areas or at all, including due to the bankruptcy of one or more servicers, or the inability of the Manager to effectively oversee servicers in certain of their activities or perform certain loan administration functions; • inability of other third- party vendors we rely on to conduct our business to operate effectively and continue to support our business and operations, including vendors that provide IT services, legal and accounting services, or other operational support services; • decreases in observable market activity or unavailability of information, resulting in restricted access to key inputs used to derive certain estimates and assumptions made in connection with financial reporting or otherwise, including valuing the loans we own, including estimated impairments, and estimates and changes in long term macro- economic assumptions relating to accounting for current expected credit loss (" CECL") allowances; • effects of legal and regulatory responses to concerns about the COVID- 19 pandemic or another pandemic and related public~~ health issues ~~, which could result in additional regulation or restrictions affecting the conduct of our business; and • our ability to ensure operational continuity in the event our business continuity plan is not effective or ineffectually implemented or deployed during a disruption. The extent of the impact of the COVID- 19 pandemic and any other pandemic on us~~ will depend on many factors, including the duration and scope of the public health emergency, the actions taken by governmental authorities to contain ~~COVID- 19 and other~~ future pandemics and their financial and economic impact, the implementation of travel advisories and restrictions, the efficacy and availability of vaccines, disparities in vaccination rates and vaccine hesitancy, the rise of new variants and the severity of such variants the impact of the public health emergency on overall supply and demand, goods and services, consumer confidence and levels of economic activity and the extent of its disruption to global, regional, and local supply chains and economic markets, all of which are uncertain and difficult to assess ~~. Moreover, many risk factors set forth in this annual report on Form 10- K should be interpreted as heightened risks as a result of the impact of the COVID- 19 pandemic or another pandemic~~ . Climate change and regulatory and other efforts to reduce potential climate change impacts and the increased focus on ESG issues could adversely affect our business. We face a number of risks associated with climate change including both transition and physical risks. The transition risks that could impact our company include those risks related to the impact of U. S. and foreign climate- and ESG- related legislation and regulation intended to reduce greenhouse gas emissions and potential climate change impacts, as well as risks arising from climate- and- ESG- related business trends. Moreover, we are subject to risks stemming from the physical impacts of climate change. New climate change-related regulations or interpretations of existing laws may result in enhanced disclosure obligations that could negatively affect us and materially increase our regulatory burden. Increased regulations generally increase the costs to us, and those higher costs may continue to increase if new laws require additional resources, including spending more time, hiring additional personnel or investing in new technologies. We also face climate- and ESG- related business trends. Investors are increasingly taking into account ESG factors, including climate risks, diversity, equity and inclusion policies, and corporate governance in determining whether to invest in companies. Additionally, our reputation and investor relationships could be damaged as a result of our involvement with certain industries or assets associated with activities perceived to be causing or exacerbating climate change, or other ESG- related issues, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change or other ESG- related issues. Conversely, if we avoid involvement with such industries or activities, we may limit our capital deployment opportunities to an extent that adversely affects our business. Further, significant physical effects of climate change including extreme weather events such as hurricanes or floods can also have an adverse impact on real estate assets that secure our loans or that we own. Additionally, both transition and physical risks associated with climate change could result in increased operating costs for our borrowers and could adversely impact our borrowers' ability to make regular payments of principal and interests. As the effects of climate change increase, we expect the frequency and impact of weather and climate related events and conditions to increase as well. For example, nonseasonal or violent weather events can have a material impact to businesses or properties that focus on tourism or recreational travel. See also" — Risks Related to Our Assets — Our real estate assets are subject to risks particular to real property. These risks may have resulted and may continue to result in a reduction or elimination of return from a loan secured by a particular property." Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the Maryland General Corporation Law (" MGCL") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then- prevailing market price of our common stock including: •" business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an" interested stockholder" (defined generally as any person who beneficially owns 10 % or more of our then outstanding voting stock or an affiliate or associate of ours who, at any time within the two- year period prior to the date in question, was the beneficial owner of 10 % or more of our then outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, impose fair price and / or supermajority stockholder voting requirements on these combinations; •" control share" provisions of the MGCL that provide that a holder of" control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a" control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding" control shares") has no voting rights with respect to such shares except to the extent approved by our stockholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and personnel who are also directors; and •" unsolicited takeover" provisions of the MGCL that permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have. As permitted by the MGCL, our board of directors has by resolution exempted from the " business combination " provision of the MGCL business combinations (1) between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person) and (2) between us and Apollo and its affiliates and associates and persons acting in concert with any of the foregoing. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions will not be amended or eliminated at any time in the future. Loss of our exclusion from registration under the 1940 Act would adversely affect us. We conduct our operations so as not to become regulated as an investment company under the 1940 Act. Because we are a holding company that conducts our businesses primarily through wholly- owned subsidiaries, the securities issued by these subsidiaries that are exempted or otherwise excluded from the definition of" investment company" under Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act, together with any other" investment securities" (as defined for purposes of the 1940 Act) we own, may not have a combined value in excess of 40 % of the value of our total assets on an unconsolidated basis, which we refer to as the 40 % test. This requirement limits the types of businesses in which we may engage through our subsidiaries. Certain of our subsidiaries qualify to be excluded from registration as investment companies under the 1940 Act pursuant to Section 3 (c) (5) (C) of the 1940 Act, which is available for an entity" not engaged in the business of issuing redeemable securities, face- amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in … the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55 % of the assets of an entity relying on this exclusion be comprised of what the SEC staff through a series of no- action letters has characterized as" qualifying assets" and at least another 25 % of the assets of such entity be comprised of either qualifying assets or what the SEC staff in such guidance has characterized as" real estate- related assets" under the 1940 Act (and no more than 20 % comprised of miscellaneous assets). We expect any of our subsidiaries relying on Section 3 (c) (5) (C) to rely on guidance published by the SEC staff to determine which assets are qualifying assets and which assets are real estate related under this exclusion to the extent such guidance is available. The SEC staff has determined in various no- action letters that qualifying assets for this purpose include senior, first ranking mortgage loans, certain B Notes and mezzanine loans that satisfy various conditions specified in such SEC staff no- action letters. Neither the SEC nor its staff has, however, published guidance in respect of Section 3 (c) (5) (C) regarding some of our other target assets. For assets for which the SEC and its staff has not published guidance, we intend to rely on our own analysis to determine which of such assets are qualifying assets and which of such assets are real estate related under the Section 3 (c) (5) (C) exclusion. For example, in the absence of additional guidance from the SEC staff, we intend to treat as real estate related assets B Notes and mezzanine loans that do not satisfy the qualifying asset conditions set forth in the relevant SEC staff no- action letters, as well as debt and equity securities of companies primarily engaged in real estate businesses. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold. Although we monitor the portfolios of our subsidiaries relying on the Section 3 (c) (5) (C) exclusion periodically and prior to each acquisition, there can be no assurance that such subsidiaries will be able to maintain their respective satisfaction of the requirements of this exclusion. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen. We may organize subsidiaries in the future that may seek to rely on the 1940 Act exclusion provided to certain structured financing vehicles under Rule 3a- 7. To comply with Rule 3a- 7, any such subsidiary will need to comply with the restrictions described below, as well as any future guidance that may be issued by the SEC or its staff. In general, Rule 3a- 7 excludes from the 1940 Act issuers that limit their activities as follows: • the issuer issues securities, the payment of which depends primarily on the cash flow from" eligible assets," which are assets that by their terms convert into cash within a finite time period; • the securities sold are fixed- income securities rated investment grade by at least one rating agency except that fixed- income securities which are unrated or rated below investment grade may be sold to institutional accredited investors and any securities may be sold to" qualified institutional buyers" and to persons involved in the organization or operation of the issuer; • the issuer acquires and disposes of eligible assets (1) only in accordance with the agreements pursuant to which the securities are issued and (2) so that the acquisition or disposition does not result in a downgrading of the issuer’ s fixed- income securities and (3) the primary purpose of which is not recognizing gains or decreasing losses resulting from market value changes; and • unless the issuer is issuing only commercial paper, the issuer appoints an independent trustee, takes reasonable steps to transfer to the trustee an ownership or perfected security interest in the eligible assets, and meets rating agency requirements for commingling of cash flows. In addition, in certain circumstances, compliance with Rule 3a- 7 may also require, among other things, that the indenture governing the Rule 3a- 7 reliant subsidiary include additional limitations on the types of assets such subsidiary may sell or acquire out of the proceeds of assets that mature, are refinanced or otherwise sold, on the period of time during which such transactions may occur, and on the level of transactions that may occur. In light of the requirements of Rule 3a- 7, there is no assurance that our future subsidiaries will be able to rely on this rule and our ability to manage assets held in subsidiaries that rely on this rule will be limited and may restrict our ability to purchase or sell assets owned by that subsidiary when we would otherwise desire to do so, which could lead to losses. In the absence of further SEC or SEC staff guidance, the aggregate value of our interests in our subsidiaries that rely on Rule 3a- 7 must amount to less than 20 % of our total assets on an unconsolidated basis. Any amendments to Rule 3a- 7 could provide additional flexibility or could inhibit the ability of our subsidiaries to rely on this rule or to pursue certain strategies we have identified for such subsidiaries. Our subsidiaries may rely on alternative exclusions or exemptions from registration as investment companies under the 1940 Act other than Section 3 (c) (1) or Section 3 (c) (7) for purposes of complying with the 40 % test. These alternative exclusions or exemptions may impose limitations on a subsidiary’ s organizational form, the types of assets that such subsidiary may hold or require such subsidiary to qualify under a banking, insurance or other regulatory regime. There is no assurance that our subsidiaries will be able to rely on any alternative exclusions or exemptions and our ability to manage assets held in subsidiaries that rely on these alternative exclusions or exemptions will be limited. The determination of whether an entity is our majority- owned subsidiary is made by us. The 1940 Act defines a majority- owned subsidiary of a person as a company with 50 % or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority- owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat entities in which we own at least a majority of the outstanding voting securities as majority- owned subsidiaries for purposes of the 40 % test. We have not requested the SEC or its staff to approve our treatment of any entity as a majority- owned subsidiary and the SEC has not done so. If the SEC or its staff were to disagree with our treatment of one of more entities as majority- owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40 % test. Any such adjustment in our strategy could have a material adverse effect on us. We have organized special purpose subsidiaries that rely on Section 3 (c) (7) to avoid registration as investment companies under the 1940 Act to hold certain assets and, therefore, our interest in each of these Section 3 (c) (7)- reliant subsidiaries constitutes an" investment security" for purposes of determining whether we pass the 40 % test. Qualification for particular exclusions or exemptions from registration under 1940 Act as described herein may limit our or our subsidiaries' ability to make certain investments. If we failed to maintain our excluded status under the 1940 Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this annual report on Form 10- K. If our subsidiaries fail to maintain an exclusion or exemption from registration pursuant to the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions which could have an adverse effect on our business and the market price for shares of our common stock. Securities eligible for future sale may have adverse effects on the market price of our common stock. Subject to applicable law, our board of directors has the authority, without further stockholder approval, to issue additional authorized shares of common stock and securities convertible into or exchangeable for our common stock on the terms and for the consideration it deems appropriate. Additional securities offerings or issuance of additional common stock in connection with the conversion of convertible or exchangeable securities may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Sales or other issuances of substantial amounts of our common stock or the perception that such sales or issuances could occur, may adversely affect the prevailing market price the common stock. Our authorized but unissued shares of common and preferred stock may prevent a change in control. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have the authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interests of our stockholders. Certain provisions in the indentures governing the ~~2023 Notes and the~~ 2029 Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us. Certain provisions in the ~~2023 Notes and the~~ 2029 Notes and the indentures governing ~~the 2023 Notes and~~ the 2029 Notes could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of ~~the 2023 Notes and~~ the 2029 Notes will have the right to require us to repurchase their notes in cash. In addition, if a takeover constitutes a make- whole fundamental change, we may be required to increase the conversion rate for holders who convert their notes in connection with such takeover. In either case, and in other cases, our obligations under ~~the 2023 Notes and~~ the 2029 Notes and the indentures could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management. Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit stockholders' recourse in the event of actions not in stockholders' best interests. Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Our charter authorizes us, and our bylaws and indemnification agreements entered into with each of our directors and executive officers require us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of their ultimate entitlement to indemnification, to pay or reimburse defense costs and other expenses of each of our directors and officers in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. As a result, we and our stockholders have rights against our directors and officers that are more limited than might otherwise exist and, in the event that actions taken by any of our directors or officers impede the performance of our company, your and our ability to recover damages from such director or officer will be limited. Our charter contains provisions that make removal of our directors difficult, which could make it difficult for stockholders to effect changes to our management. Our charter provides that, subject to the rights of any series of preferred stock, a director may be removed with or without cause upon the affirmative vote of at least two- thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of us that is in the best interests of stockholders. Ownership limitations may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares. In order for us to qualify as a REIT, no more than 50 % in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own our stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year." Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. The Articles Supplementary for our preferred stock prohibits any stockholder from beneficially or constructively owning more than 9. 8 % in value or in number of shares, whichever is more restrictive, of our outstanding preferred stock. ~~The indentures governing the 2023 Notes prohibit a holder from receiving shares of our stock upon conversion of the 2023 Notes if such receipt would violate the ownership limitations contained in our charter.~~ These ownership limits in our charter could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests. Our board of directors has established exemptions from the ownership limits in our charter which permit Apollo and certain of our affiliates to collectively hold up to 25 % of our common stock, and certain institutional investors to hold more than 9. 8 % of our common stock. Future litigation or administrative proceedings could have a material and adverse effect on our business, financial condition and results of operations. We may from time to time be involved in legal proceedings, administrative proceedings, claims and other litigation. In addition, we have agreed to indemnify the Manager and certain of its affiliates against certain liabilities pursuant to the Management Agreement. Adverse outcomes or developments relating to such proceedings, as well as expenses of defending or pursuing claims, or any other costs that may be incurred in connection with such proceedings, could have a material adverse effect on our results of operations and financial condition. RISKS RELATED TO OUR FINANCING **AND HEDGING** Our access to sources of financing may be limited and thus our ability to potentially enhance our returns may be adversely affected. Our access to sources of financing depends upon a number of factors over which it has little or no control, including: • general market conditions; • the market' s view of the quality of our assets; • the market' s perception of our growth potential; • our eligibility to participate in and access capital from programs established by the U. S. government; • our current and potential future earnings and cash distributions; and • the market price of the shares of our common stock. Weakness in the capital and credit markets could adversely affect one or more lenders and could cause one or more lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, if regulatory capital requirements imposed on our lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price. Consequently, depending on market conditions at the relevant time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our stockholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, cash distributions to stockholders and other purposes. We leverage certain of our target assets, which may adversely affect our return on our assets and may reduce cash available for distribution. We leverage certain of our target assets through secured debt arrangements. Leverage can enhance our potential returns but can also exacerbate losses. The return on our assets and cash available for distribution to stockholders may be reduced if market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets acquired, which could adversely affect the price of our common stock. In addition, our debt service payments will reduce cash flow available for distributions to stockholders. As a borrower, we are also subject to the risk that we may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations. We may increase the amount of leverage we use in our financing strategy, which would subject us to greater risk of loss. **Additionally, we may fail to comply with our covenants prescribed in our debt agreements, which may impact our ability to borrow under our financing arrangements and / or result in acceleration of debt.** Our charter and bylaws do not limit the amount of indebtedness we can incur; although we are limited by certain financial covenants under our secured debt arrangements and the 2029 Notes. We may increase the amount of leverage we utilize at any time without approval of our stockholders. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that: • our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt or we may fail to comply with all of the other covenants contained in the debt documents, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross- default or cross- acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow unused amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements and / or (iii) the loss of some or all of our assets to foreclosure or sale; • our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase with higher financing costs; • we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and • we may not be able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all. Credit facilities and secured debt arrangements that we may use to finance our assets may require us to provide additional collateral or pay down debt. As of December 31, ~~2022~~ **2023** , we had secured debt arrangements in place, with an aggregate borrowing capacity of approximately $ ~~6~~ **7** . ~~2~~ **0** billion. We may utilize credit facilities and additional secured debt arrangements to finance our assets if they become available on acceptable terms. In the event we utilize such financing arrangements, they may involve the risk that the market value of our assets pledged or sold by us to the secured debt arrangements counterparty or provider of the credit facility may decline in value, in which case the lender may require us to provide additional collateral or to repay all or a portion of the funds advanced. We may not have the funds available to repay its debt at that time, which would likely result in defaults unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all. Posting additional collateral would reduce our liquidity and limit our ability to leverage our assets. If we cannot meet these requirements, the lender could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from them, which could materially and adversely affect our financial condition and ability to implement our business plan. In addition, in the event that the lender files for bankruptcy or becomes insolvent, our loans may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. Such an event could restrict our access to credit facilities and increase our cost of capital. The lenders may also require us to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position that would allow us to satisfy our collateral obligations. In the event that we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate rapidly. Our existing secured debt arrangements impose restrictive covenants. Our secured debt arrangements contain restrictive covenants which impose limitations on the manner in which we conduct our business. For example, we are subject to customary restrictive covenants with respect to continuing to operate in a manner that allows us to qualify as a REIT for U. S. federal income tax purposes, and financial covenants with respect to minimum consolidated tangible net worth, maximum total indebtedness to consolidated tangible net worth, and minimum liquidity. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders. Should we choose to employ non- recourse long- term securitizations in the future, such structures may expose us to risks which could result in losses to us. We may seek to enhance the returns of all or a senior portion of our commercial mortgage loans through securitizations. To securitize our portfolio investments, we may create a wholly- owned subsidiary and contribute a pool of assets to the subsidiary. This could include the sale of interests in the subsidiary on a non- recourse basis to purchasers whom we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of portfolio investments. The successful securitization of our portfolio investments might expose us to losses as the commercial real estate investments in which we do not sell interests will tend to be those that are riskier and more likely to generate losses. Securitization financings could also restrict our ability to sell assets when it would otherwise be advantageous to do so. An increase in our borrowing costs relative to the interest we receive on our leveraged assets may adversely affect our profitability and our cash available for distribution to our stockholders. As our secured debt arrangements and other short- term borrowings mature, we will be required either to enter into new borrowings or to sell certain of our assets. As borrowing rates have increased from the historically low levels that have been seen recently, at the time we enter into new borrowings, the spread between the returns on our assets and the cost of our borrowings may be reduced. In addition, there is no assurance that short- term interest rates may not increase further. For example, in response to recent inflationary pressure, the U. S. Federal Reserve and other global central banks have raised interest rates in 2022 and **2023** ~~have indicated likely further interest rate increases~~. This could adversely affect the returns on our assets, which might reduce earnings and, in turn, cash available for distribution to our stockholders. In addition, because our secured debt arrangements are short- term commitments of capital, lenders may respond to market conditions making it more difficult for us to secure continued financing. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail our asset acquisition activities, rely more heavily on additional equity issuances, which may be dilutive to our stockholders, and / or dispose of assets. Interest rate fluctuations could reduce the income on our assets and could increase our financing costs, which may adversely affect our earnings and our cash available for distribution to our stockholders. Changes in interest rates will affect our operating results as such changes will affect the interest we receive on any floating rate interest (such as ~~LIBOR,~~ SOFR or **SONIA** ~~any other replacement rate~~) bearing assets and the financing cost of our floating rate debt, as well as our interest rate swap that we may utilize for hedging purposes. For example, in response to ~~recent~~ inflationary pressure, the U. S. Federal Reserve and other global central banks ~~have~~ raised interest rates in 2022 and **2023. These increases** have ~~indicated likely further interest rate increases. Any such increases would increase~~ **increased** our borrowers' interest payments and for certain borrowers may lead to defaults and losses to us. Such increases could also adversely affect commercial real estate property values. If a counterparty to our secured debt arrangements defaults on its obligation to resell the underlying security back to us at the end of the transaction term or if the value of the underlying security has declined as of the end of that term or if we default on our obligations under the secured debt arrangement, we will lose money on our secured debt arrangement. When we engage in secured debt arrangements, we sell securities to lenders (i. e., secured debt arrangement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is referred to as the haircut), if the lender defaults on its obligation to resell the same securities back to us, we could incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We could also lose money on a secured debt arrangement if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a secured debt arrangement, the lender will be able to accelerate the timing of payments, terminate the transaction and cease entering into any other secured debt arrangements with us. Any losses we incur on our secured debt arrangements could adversely affect our earnings and thus our cash available for distribution to stockholders. Our rights under our secured debt arrangements may be subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders under the secured debt arrangements, which may allow our lenders to repudiate our secured debt arrangements. In the event of our insolvency or bankruptcy, certain secured debt arrangements may qualify for special treatment under the U. S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable secured debt arrangements to avoid the automatic stay provisions of the U. S. Bankruptcy Code and to foreclose on the collateral agreement without delay. In the event of the insolvency or bankruptcy of a lender during the term of a secured debt arrangement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a secured debt arrangement or to be compensated for any damages resulting from the lender’ s insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur. We may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition. Subject to maintaining our qualification as a REIT, we may enter into hedging transactions that could require us to fund cash payments in certain circumstances (e. g., the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition. In addition, certain of the hedging instruments that we may enter into could involve risks since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U. S. or foreign governmental authorities. We cannot assure that a liquid secondary market will exist for hedging instruments that it may purchase or sell in the future, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. In addition, subject to maintaining our qualification as a REIT, we pursue various hedging strategies to seek to reduce our exposure to adverse changes in currencies and interest rates. We may fail to recalculate, readjust and execute hedges in an efficient manner. While we may enter into such transactions seeking to reduce currency or interest rate risks, unanticipated changes in currency or interest rates may result in poorer overall investment performance than if we 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, we 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 us from achieving the intended hedge and expose us to risk of loss. Furthermore, we intend to record any derivative and hedging transactions we enter into in accordance with accounting principles generally accepted in the United States (" GAAP"). However, we may choose not to pursue, or fail to qualify for, hedge accounting treatment relating to such derivative instruments. As a result, our operating results may suffer because losses, if any, on these derivative instruments may not be offset by a change in the fair value of the related hedged transaction or item. RISKS RELATED TO OUR ASSETS We cannot assure stockholders that we will be successful in consummating additional opportunities we identify which would likely materially affect our business, financial condition, liquidity and results of operations. We cannot assure stockholders that we will be able to continue to identify additional assets that meet our investment objectives, that the Manager' s due diligence processes will uncover all relevant facts regarding such assets, that we will be successful in consummating any additional opportunities we identify or that the assets we acquire in the future will yield attractive risk- adjusted returns. Our inability to do any of the foregoing likely would materially and adversely affect our business, financial condition, liquidity and results of operations. We may not achieve our weighted- average all- in yield on our assets, which may lead to future returns that may be significantly lower than anticipated. The calculations of our weighted- average all- in yield, included in this annual report on Form 10- K or in our future periodic reports or press releases or other communications, with respect to our investments are based on, among other considerations, assumptions regarding the performance of our assets, expected future fundings, the exercise of extension options and the absence of dispositions, early prepayments or defaults, all of which are subject to significant uncertainty. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return received on our target assets. If these assumptions fail to materialize, future returns on our investments may be significantly lower than underwritten returns. For additional discussion of factors that may affect actual returns on our investments, see Item 7A." Quantitative and Qualitative Disclosures about Market Risk" and Item 7." Management' s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations." We may be subject to lender liability claims. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed" lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We cannot assure prospective investors that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise. Any credit ratings assigned to our assets will be subject to ongoing evaluations and revisions and we cannot assure stockholders that those ratings will not be downgraded. Some of our assets may be rated by nationally recognized statistical rating organizations. Any credit ratings on our assets are subject to ongoing evaluation by credit rating agencies, and these ratings could 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 our investments in the future, the value of these investments could significantly decline, which would adversely affect the value of our investment portfolio and could result in losses upon disposition. An investment grade credit rating does not provide assurance that the subject investment will not become impaired. Acquisitions of preferred equity involve a greater risk of loss than traditional debt transactions. We may acquire real estate preferred equity as an alternative to mezzanine loans, 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 assets are subordinate to first mortgage loans and are not collateralized by property underlying the asset and, in certain instances, may not have financial performance covenants. Although as a holder of preferred equity we may enhance our position with covenants that limit the activities of the entity in which we have an interest and protect our equity by obtaining an exclusive right to control the underlying property after an event of default, should such a default occur on our asset, we would only be able to proceed against the entity in which we have an interest, and not the property owned by such entity and underlying our investment. Further, similar to mezzanine loans, preferred equity does not ordinarily afford the holder with the full range of protections of a creditor. As a result, we may not recover some or all of our investment. The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets. The illiquidity of commercial mortgage loans, commercial real estate corporate debt and loans and other real estate- related debt investments may make it difficult for us to sell such assets if the need or desire arises. Many of the securities we purchase are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or their disposition except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. In addition, certain assets such as B Notes, mezzanine loans and other loans are also particularly illiquid due to their short life, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower' s default. As a result, many of our assets are illiquid and if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. Further, we may face other restrictions on our ability to liquidate an interest in a business entity to the extent that we or the Manager have or could be attributed with material, non- public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition. **Allowances** ~~The expected discontinuance of the London interbank offered rate (" LIBOR") and transition to alternative reference rates may adversely impact our borrowings and assets. Certain of our secured debt arrangements and the Term Loans, as well as certain of our floating rate loan assets, are linked to U. S. dollar LIBOR. We expect that a significant portion of these financing arrangements and loan assets will not have matured, been prepaid or otherwise terminated prior to the time at which U. S. dollar LIBOR will cease to be published. The U. K. Financial Conduct Authority (the" FCA") regulates the LIBOR administrator, ICE Benchmark Administration Limited (" IBA"). On March 5, 2021, the FCA and IBA announced that the IBA will cease publication in the current form for 1- week and 2- month U. S. dollar LIBOR rates immediately following the~~

~~publication on December 31, 2021 and for overnight, 1- month, 3- month, 6- month and 12- month U. S. dollar LIBOR rates immediately following the publication on June 30, 2023. The Alternative Reference Rates Committee (the" ARRC"), a group of private- market participants convened by the U. S. Federal Reserve Board and the New York Federal Reserve, has recommended the Secured Overnight Financing Rate (" SOFR ") as a more robust reference rate alternative to U. S. dollar LIBOR. The use of SOFR as a substitute for U. S. dollar LIBOR is voluntary and may not be suitable for all market participants. SOFR is calculated based on overnight transactions under repurchase agreements, backed by Treasury securities. The ARRC has also recommended the use of the CME Group' s computation of forward- looking SOFR term rates, subject to certain recommended limitations on the scope of its use. In March 2022, the Adjustable Interest Rate (LIBOR) Act was enacted at the federal level in the United States, pursuant to which the Board of Governors of the Federal Reserve System has designated benchmark replacement rates based on SOFR for U. S. law governed legacy contracts that have no or insufficient fallback provisions. There is no assurance that any alternative rates used to determine interest on loans that we may hold in the future, including any version of SOFR or Term SOFR as modified by any applicable spread adjustment, will be the economic equivalent of U. S. dollar LIBOR. This could result in us receiving lower interest rate payments on certain of our floating rate assets or making higher interest rate payments with respect to our floating rate debt obligations. Some of our debt and loan assets may not include robust fallback language that would facilitate replacing U. S. dollar LIBOR with SOFR, Term SOFR or another clearly defined alternative reference rate after U. S. dollar LIBOR' s discontinuation, and we may need to amend these before the IBA ceases to publish U. S. dollar LIBOR. If such debt or loan assets mature after U. S. dollar LIBOR ceases to be published, our counterparties may disagree with us about how to replace U. S. dollar LIBOR or calculate interest payments. Even when robust fallback language is included, there can be no assurance that the replacement rate plus any spread adjustment will be economically equivalent to LIBOR, which could result in a lower interest rate being paid to us on such assets and could reduce the value of such assets. Modifications to any debt, loan assets, interest rate hedging transactions or other contracts to replace U. S. dollar LIBOR with an alternative reference rate could result in adverse tax consequences. In addition, any resulting differences in interest rate standards among our assets and our financing arrangements may result in interest rate mismatches between our assets and the borrowings used to fund such assets. Furthermore, the transition away from U. S. dollar LIBOR may adversely impact our ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. There is no guarantee that a transition from LIBOR to alternative reference rates will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations, financial condition, and the market price of our common stock. Provisions~~ for loan losses are difficult to estimate. In June 2016, the Financial Accounting Standards Board (" FASB") issued ASU 2016- 13" Financial Instruments- Credit Losses- Measurement of Credit Losses on Financial Instruments (Topic 326)" (" ASU 2016- 13") and in April 2019, the FASB issued ASU 2019- 04" Codification Improvements to Topic 326, Financial Instruments- Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments" (" ASU 2019- 04") (collectively, the" CECL Standard"). These updates change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value. The CECL Standard replaces the" incurred loss" approach under existing guidance with an" expected loss" model for instruments measured at amortized cost. The CECL Standard requires entities to record allowances for held- to- maturity and available- for- sale debt securities that is deducted from the carrying amount of the assets to present the net carrying value at the amounts expected to be collected on the assets. ~~All assets subject to the~~ **Because our methodology for determining** CECL ~~Standard~~ **allowances may differ from the methodologies employed by other companies** , **our CECL allowances may not be comparable** with ~~few exceptions, will be subject to these~~ -- **the CECL** allowances **reported by** ~~rather than only those assets where a loss is deemed probable under the~~ other **companies** ~~- than- temporary impairment model~~ . We will continue to record loan specific reserves (" Specific CECL Allowance") in accordance with a practical expedient prescribed by the CECL Standard. The Specific CECL Allowance is evaluated on a quarterly basis. The determination of the Specific CECL Allowance requires us to make certain estimates and judgments, which may be difficult to determine. Our estimates and judgments are based on a number of factors, including (1) **micro- and macro- economic conditions, (2) market volatility, (3) cash flows from operations or sales velocity projections of the underlying property, (4) sponsors' continued progress towards executing on their business plans, (5)** whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (~~2~~ **6**) the ability of the borrower to refinance the loan and (~~3~~ **7**) the **underlying** property' s liquidation value, all of which remain uncertain and are subjective. **For additional information regarding our Specific CECL Allowance, refer to" Specific CECL Allowance" under" Note 4- Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" in our consolidated financial statements.** In addition, we record a general reserve in accordance with the CECL Standard on the remainder of the loan portfolio (~~"~~ **"** General CECL Allowance"). The CECL Standard has been effective for fiscal years beginning after December 15, 2019 and has been adopted through a cumulative- effect adjustment to accumulated deficit as of the beginning of the first reporting period in which the guidance is effective; as such, we have adopted the CECL Standard as of January 1, 2020. The CECL Standard may create more volatility in the level of our allowance for loan losses. **We may be required to make further increases to our CECL allowance in the future, depending on the performance of our portfolio, any specific assets within the portfolio and broader market conditions.** If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations. Our assets may be concentrated and are subject to risk of default. We are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors. See Item 7." Management' s Discussion and Analysis of Financial Condition and Results of Operations — Investment Guidelines." Therefore, our assets may at times be concentrated in certain property types that are subject to higher risk of foreclosure or secured by properties concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in any one region or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of our assets within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders. Difficult conditions in the markets for mortgages and mortgage- related assets as well as the broader financial markets may result in contraction in liquidity for mortgages and mortgage- related assets, which may adversely affect the value of the assets. The commercial mortgage loans and other commercial real estate- related loans we acquire are subject to delinquency, foreclosure and loss, any or all of which could result in losses to us. Commercial mortgage loans are secured by residential- for- rent or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss are greater than similar risks associated with mortgage loans made on the security of one to four family residential properties. 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. The Manager makes certain estimates of losses during its underwriting of commercial mortgage loans. However, estimates may not prove accurate, as actual results may vary from estimates. Net operating income of an income- producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties (including properties located in opportunity zones), changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and / or specific industry segments, 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, changes in governmental rules, regulations and fiscal policies, environmental, climate and other ESG- related legislation and tax legislation, acts of God, regional, national or global outbreaks, epidemics and pandemics, geopolitical events, terrorism, social unrest, civil disturbances or other calamities. In the event of any default under a mortgage or other real estate- related loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the commercial mortgage loan or other real estate- related loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a commercial mortgage loan borrower or other real estate- related loan borrower, the 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 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 commercial mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. **We may need to foreclose on certain of the loans we originate or acquire and may take title to the properties securing such loans. Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property, which could result in losses that harm our results of operations and financial condition. We may find it necessary or desirable to foreclose on certain of the loans we originate or acquire, and the foreclosure process may be lengthy and expensive. If we foreclose on an asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as " real estate owned. " Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. The costs associated with operating and redeveloping a property, including any operating shortfalls and significant capital expenditures, could materially and adversely affect our results of operations, financial conditions and liquidity. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all, and the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Whether or not we have participated in the negotiation of the terms of any such loans, we cannot assure you as to the adequacy of the protection of the terms of the applicable loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of our rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against us, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buy- out of the borrower' s position in the loan. Foreclosure actions in some U. S. states can take several years or more to litigate and may also be time consuming and expensive to complete in other U. S. states and foreign jurisdictions in which we do business. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process, and could potentially result in a reduction or discharge of a borrower' s debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net sale proceeds and, therefore, increase any such losses to us.** B Notes and mezzanine loans we acquire may be subject to losses. The B Notes we acquire may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us. As part of our whole loan origination platform, we may retain from whole loans we acquire or originate, subordinate interests referred to as B Notes. B Notes are commercial real estate loans secured by a first mortgage on a single large commercial property or group of related properties and subordinated to a senior interest, referred to as an A Note. As a result, if a borrower defaults, there may not be sufficient funds remaining for B Note owners after payment to the A Note owners. B Notes reflect similar credit risks to comparably rated commercial mortgage- backed securities (" CMBS"). However, since 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 be limited in certain investments. We cannot predict the terms of each B Note investment. Similar to our B Note strategy, we may originate or acquire mezzanine loans, which are loans made to property owners that are secured by pledges of the borrower' s ownership interests, in whole or in part, in entities that directly or indirectly own the real property. The loan to value and last dollar of exposure of the mezzanine loans generally do not differ greatly from the whole loans we originate or acquire, with the key distinction being that the most senior portion of the loan with the least credit risk is owned by a third- party lender. In the event a borrower defaults on a loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, mezzanine loans are by their nature structurally subordinated to more senior property level financings. If a borrower defaults on our mezzanine loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the property level debt and other senior debt is paid in full. Significant losses related to our B Notes or mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders. Our commercial real estate corporate debt assets and loans and debt securities of commercial real estate operating or finance companies will be subject to the specific risks relating to the particular company and to the general risks of investing in real estate- related loans and securities, which may result in significant losses. We may acquire commercial real estate corporate debt and loans and debt securities of commercial real estate operating or finance companies, including REITs. These assets have special risks relating to the particular company, including its financial condition, liquidity, results of operations, business and prospects. In particular, the debt securities are often non- collateralized and may also be subordinated to its other obligations. We acquire debt securities of companies that are not rated or are rated non- investment grade by one or more rating agencies. Assets that are not rated or are rated non- investment grade have a higher risk of default than investment grade rated assets and therefore may result in losses to us. We have not adopted any limit on such investments. These investments will also subject us to the risks inherent with real estate- related investments, including the risks described with respect to commercial properties and similar risks, including: • risks of delinquency and foreclosure, and risks of loss in the event thereof; • the dependence upon the successful operation of, and net income from, real property; • risks generally incident to interests in real property; and • risks specific to the type and use of a particular property. These risks may adversely affect the value of our commercial real estate operating and finance our assets and the ability of the issuers thereof to make principal and interest payments in a timely manner, or at all, and could result in significant losses. A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair our assets and harm our operations. We believe the risks associated with our business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. In addition, our investment model may be adversely affected if there is an economic recession or if it continues longer or is deeper than we may anticipate. Declining real estate values will 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 our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the Manager' s ability to invest in, sell and securitize loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business and our ability to pay dividends to stockholders. Recent macroeconomic trends, including inflation and ~~rising~~ **higher** interest rates, may adversely affect our business, financial condition and results of operations. ~~Throughout 2022, inflation~~ **Inflation** in the United States **may** ~~has accelerated and is currently expected to~~ continue at an elevated level in the near- term **, which** ~~. Rising inflation~~ could have an adverse impact on any floating rate debt we have incurred and may incur in the future, and our general and administrative expenses, as these costs could increase at a rate higher than our interest income and other revenue. In response to ~~recent~~ inflationary pressure, the U. S. Federal Reserve and other global central banks ~~have~~ raised interest rates in 2022 and ~~have indicated likely further~~ **2023; however, we cannot predict with certainty any future action that the U. S. Federal Reserve and / or any other global central bank may take with respect to** interest ~~rate~~ **rates** ~~increases~~ . To the extent our borrowing costs increase faster than the interest income earned from our floating- rate loans, such increases may adversely affect our cash flows. To the extent we foreclose on properties and own real estate directly upon a default of mortgage or other real estate- related loans, as we have done and may continue to do, we are subject to risks particular to owning real property. Real estate is subject to various risks, including: • acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses; • acts of war or terrorism, including the consequences of terrorist attacks; • pandemics or other calamities that may affect tenants' ability to pay their rent; • adverse changes in national and local economic and market conditions; • changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances; • costs of remediation and removal of hazardous substances and liabilities associated with environmental conditions, which liabilities may be imposed without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substance, and which may also adversely affect our ability to sell the property; and • the potential for uninsured or under- insured property losses. If any of these or similar events occurs, it may reduce our return from an affected property or investment and reduce or eliminate our ability to pay dividends to stockholders. Certain of our loans are denominated in currencies other than USD or are secured by assets located outside of the United States which subject us to the uncertainty of foreign laws and markets, geopolitical issues, and foreign currency risks. Our assets include loans that are denominated in currencies other than USD or are secured by assets located outside the United States. As of December 31, ~~2022~~ **2023** , $ 4. **4 billion, or 52.** 0 ~~billion, or 46. 1~~ %, of our assets (by carrying value) were comprised of such loans. Investments in countries outside the United States may subject us to risks of multiple and conflicting tax laws and regulations, and other laws and regulations that may make foreclosure and the exercise of other remedies in the case of default more difficult or costly compared to U. S. assets as well as political and economic instability abroad, and concerns regarding the stability of the sovereign debt of certain European countries, and other geopolitical issues, including the ongoing conflicts **between Israel and Hamas, as well as further escalation of tensions between Israel and various countries in the Middle East and North Africa, and** among Russia, Belarus and Ukraine and the severe economic sanctions and export controls imposed by the U. S. and other governments against Russia, Belarus and Russian or Belarusian interests any of which factors could adversely affect our receipt of returns on and distributions from these assets. In addition, fluctuations in exchange rates between foreign currencies and USD could expose us to foreign currency risk. All of the foregoing could adversely affect the book value of our assets and the income from those assets. We maintain cash balances in our bank accounts that exceed the Federal Deposit Insurance Corporation insurance limitation. We regularly maintain cash balances at banks domiciled in the United States in excess of the Federal Deposit Insurance Corporation insurance limit. The failure of such bank could result in the loss of a portion of such cash balances in excess of the federally insured limit, which could materially and adversely affect our financial position. Assets that we acquire with co- investors could be materially and adversely affected by our lack of sole decision- making authority, our reliance on our co- investors' financial condition and disputes between us and our co- investors. We may co- invest with third parties through partnerships, joint ventures or other entities, in which we would not be in a position to exercise sole decision- making authority regarding the investment, partnership, joint venture or other entity. Investments through partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that co- investors might become bankrupt, fail to fund their share of required capital contributions, make poor business decisions or block or delay necessary decisions. Co- investors may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor our co- investors would have full control over the partnership or joint venture. Disputes between us and our co- investors may result in litigation or arbitration that would increase our expenses and prevent us from focusing our time and effort on our business. Consequently, actions by, or disputes with, our co- investors might result in subjecting the facilities owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our co- investors. RISKS RELATED TO OUR RELATIONSHIP WITH THE MANAGER There are various conflicts of interest in our relationship with Apollo which could result in decisions that are not in the best interests of our stockholders. We are subject to conflicts of interest arising out of our relationship with Apollo, including the Manager. We have and may enter into transactions with Apollo and other Apollo vehicles. In particular, we have invested in and may in the future invest in, or acquire, certain of our investments through joint ventures with Apollo or its affiliates or purchase assets from, sell assets to or arrange financing from or provide financing to other Apollo vehicles. Any such transactions require approval by a majority of our independent directors. In certain instances we may invest alongside other Apollo vehicles in different parts of the capital structure of the same issuer. Depending on the size and nature of such investment, such transactions may require approval by a majority of our independent directors. There can be no assurance that any procedural protections will be sufficient to assure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm' s length transaction. In addition to us, affiliates of the Manager manage other investment vehicles whose core investment strategies focus on one or more of our target asset classes. To the extent such other Apollo vehicles or other vehicles that may be organized in the future seek to acquire or divest of the same target assets as us, the scope of opportunities otherwise available to us may be adversely affected and / or reduced. The Manager and Apollo have an investment allocation policy in place that is intended to ensure that every Apollo vehicle, including us, is treated in a manner that, over time, is fair and equitable. According to this policy, investments may be allocated by taking into account factors, including but not limited to, available capital and net asset value of the investment vehicles, suitability of the investment, order size, investment objectives, permitted leverage and available financing, current income expectations, the size, liquidity and duration of the available investment, seniority and other capital structure considerations and the tax implications of an investment. The investment allocation policy may be amended by the Manager and Apollo at any time without our consent. In addition to the fees payable to the Manager under the Management Agreement, the Manager and its affiliates may benefit from other fees paid to it in respect of our investments and financing transactions. For example, if we seek to securitize our commercial mortgage loans, Apollo and / or the Manager may act as collateral manager. In any of these or other capacities, Apollo and / or the Manager may receive market- based fees for their roles, but only if approved by a majority of our independent directors. The Management Agreement was negotiated between related parties and its terms, including fees payable to the Manager, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the Management Agreement because of our desire to maintain an ongoing relationship with the Manager. The Manager' s and Apollo' s liability is limited under the Management Agreement, and we have agreed to indemnify the Manager against certain liabilities. As a result, we could experience poor performance or losses for which the Manager would not be liable. Pursuant to the Management Agreement, the Manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Under the terms of the Management Agreement, the Manager, its officers, members, managers, directors, personnel, any person controlling or controlled by the Manager and any person providing services to the Manager (including Apollo) are not liable to us, any of our subsidiaries, our stockholders or partners or any subsidiary' s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Management Agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the Management Agreement. The Manager maintains a contractual as opposed to a fiduciary relationship with us that limits its obligations to us to those specifically set forth in the Management Agreement. In addition, we have agreed to indemnify the Manager, its officers, stockholders, members, managers, directors, personnel, any person controlling or controlled by the Manager and any person providing services to the Manager (including Apollo) with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of the Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the Management Agreement. As a result, we could experience poor performance or losses for which the Manager would not be liable. The termination of the Management Agreement may be difficult and costly, which may adversely affect our inclination to end our relationship with the Manager. Termination of the Management Agreement with the Manager without cause is difficult and costly. The Management Agreement provides that, in the absence of cause, it may only be terminated by us, upon the vote of at least two thirds of our independent directors based upon: (i) the Manager' s unsatisfactory performance that is materially detrimental to us, or (ii) a determination that the management fees payable to the Manager are not fair, subject to the Manager' s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two thirds of our independent directors. The Manager will be provided 180 days prior notice of any such termination. Additionally, upon a termination by us without cause (or upon a termination by the Manager due to our material breach), the Management Agreement provides that we will pay the Manager a termination payment equal to three times the average annual base management fee earned by the Manager during the 24- month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. This provision increases the effective cost to us of electing not to renew, or defaulting in our obligations under, the Management Agreement, thereby adversely affecting our inclination to end our relationship with the Manager, even if we believe the Manager' s performance is not satisfactory. The term of the Management Agreement was automatically renewed for a successive one- year term on September 29, ~~2022~~ **2023** and will automatically renew on each anniversary thereafter; provided, however, that either we, under the certain limited circumstances described above that would require us to pay the fee described above, or the Manager may terminate the Management Agreement annually upon 180 days prior notice. If the Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to continue to execute our business plan. We do not own the Apollo name but may use it pursuant to a license agreement with Apollo. Use of the name by other parties or the termination of our license agreement may harm our business. We have entered into a license agreement with Apollo pursuant to which it has granted us a non- exclusive, royalty- free license to use the name" Apollo." Under this agreement, we have a right to use this name for so long as the Manager serves as our manager pursuant to the Management Agreement. Apollo retains the right to continue using the" Apollo" name. We cannot preclude Apollo from licensing or transferring the ownership of the" Apollo" name to third parties, some of whom may compete with us. Consequently, we would be unable to prevent any damage to goodwill that may occur as a result of the activities of Apollo or others. Furthermore, in the event that the license agreement is terminated, we will be required to change our name and cease using the name. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we have generated and otherwise harm our business. The license agreement will terminate concurrently with the termination of the Management Agreement. The manner of determining the base management fee may not provide sufficient incentive to the Manager to maximize risk- adjusted returns on our investment portfolio since it is based on our stockholders' equity (as defined in the Management Agreement) and not on other measures of performance. The Manager is entitled to receive a base management fee that is based on the amount of our stockholders' equity (as defined in the Management Agreement) at the end of each quarter, regardless of our performance. Our stockholders' equity for the purposes of calculating the base management fee is not the same as, and could be greater than, the amount of stockholders' equity shown on our consolidated financial statements. The possibility exists that significant base management fees could be payable to the Manager for a given quarter despite the fact that we experienced a net loss during that quarter. The Manager' s entitlement to such significant nonperformance- based compensation may not provide sufficient incentive to the Manager to devote its time and effort to source and maximize risk- adjusted returns on our investment portfolio, which could, in turn, adversely affect our ability to pay dividends to our stockholders and the market price of our common stock. Furthermore, the compensation payable to the Manager will increase as a result of future equity offerings, even if the offering is dilutive to existing stockholders. The Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors does not approve each decision made by the Manager, which may result in us undertaking riskier transactions. The Manager is authorized to follow very broad investment guidelines and to execute most transactions without prior approval of our board of directors. Furthermore, the Manager may use complex strategies and transactions entered into by the Manager that may be difficult or impossible to unwind by the time they are reviewed by our directors. The Manager has great latitude within the broad investment guidelines in determining the types of assets that are proper for us, and how such loans and investments are financed or hedged, which could result in returns that are substantially below expectations or that result in losses. In addition, subject to compliance with our investment guidelines, the Manager may change its investment strategy at any time, depending on prevailing market conditions, or for other reasons, in response to opportunities available in different interest rate, economic and credit environments. We have in the past made, and may make in the future changes in the investment guidelines at any time with the approval of our independent directors but without the consent of our stockholders. Any future changes in our investment policies could adversely impact our profitability and risk profile. Possession of material, non- public information could prevent us from undertaking advantageous transactions; Apollo could decide to establish information barriers. Apollo generally follows an open architecture approach to information sharing within the larger Apollo organization and does not normally impose information barriers within its asset management business. If the Manager were to receive material non- public information about a particular company, or have an interest in investing in a particular company, Apollo or certain of its affiliates may be prevented from investing in or disposing of investments in such company. Conversely, if Apollo or certain of our affiliates were to receive material non- public information about a particular company or have an interest in investing in a particular company we may be prevented from investing in or disposing of investments in such company. This risk affects us more than it does investment vehicles that are not related to Apollo, as Apollo generally does not use information barriers within its asset management business that many firms implement to separate persons who make investment decisions from others who might possess material, non- public information that could influence such decisions. Apollo' s approach to these barriers could prevent the Manager' s investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise. In addition, Apollo could in the future decide to establish information barriers within its asset management business, particularly as it expands and diversifies. In such event, Apollo' s ability to operate as an integrated asset management platform will be restricted and the Manager' s resources may be limited. We are dependent on the Manager and its key personnel for our success and upon their access to Apollo' s investment professionals and partners. We may not find a suitable replacement for the Manager if the Management Agreement is terminated, or if key personnel leave the employment of the Manager or Apollo or otherwise become unavailable to us. We do not have any employees and we rely completely on the Manager to provide us with investment and advisory services. We have no separate facilities and are completely reliant on the Manager, which has significant discretion as to the implementation of our operating policies and strategies. We depend on the diligence, skill and network of business contacts of the Manager. We benefit from the personnel, relationships and experience of the Manager' s executive team and other personnel and investors of Apollo. The executive officers and key personnel of the Manager evaluate, negotiate, close and monitor our investments; therefore, our success will depend on their continued service. We also depend, to a significant extent, on the Manager' s access to the investment professionals and partners of Apollo and the information and deal flow generated by the Apollo investment professionals in the course of their investment and portfolio management activities. The departure of any senior personnel of the Manager, or of a significant number of the investment professionals or partners of Apollo, could have a material adverse effect on our ability to achieve our investment objectives. In addition, we offer no assurance that the Manager will remain our investment manager, that we will continue to have access to the Manager' s or Apollo' s executive officers and other investment professionals, or that we will be able to find a suitable replacement for the Manager if the Management Agreement is terminated. We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. The ability of the Manager and its officers and employees to engage in other business activities may reduce the time the Manager spends managing our business. We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. However, our Code of Business Conduct and Ethics contains a conflicts of interest policy that prohibits our directors and executive officers, as well as personnel of the Manager or Apollo who provide services to us, from engaging in any transaction that involves an actual conflict of interest with us without the approval of a majority of our independent directors. In addition, the Management Agreement does not prevent the Manager and its affiliates from engaging in additional management or investment opportunities, some of which could compete with us. Further, certain of our officers and directors, and the officers and other personnel of the Manager, also serve or may serve as officers, directors or partners of other Apollo vehicles. Accordingly, the ability of the Manager and its officers and employees to engage in other business activities may reduce the time the Manager spends managing our business. These demands on their time may reduce the time our officers and officers of the Manager may have available to spend managing our business and distract them or slow the rate of investment. Our business may be adversely affected if our reputation, the reputation of the Manager or Apollo, or the reputation of counterparties with whom we associate is harmed. We may be harmed by reputational issues and adverse publicity relating to us, the Manager or Apollo. Issues could include real or perceived legal or regulatory violations or could be the result of a failure in performance, risk- management, governance, technology or operations, or claims related to employee misconduct, conflict of interests, ethical issues or failure to protect private information, among others. Similarly, market rumors and actual or perceived association with counterparties whose own reputation is under question could harm our business. Such reputational issues may depress the market price of our capital stock or have a negative effect on our ability to attract counterparties for our transactions, or otherwise adversely affect us. RISKS RELATED TO OUR TAXATION AS A REIT Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify as a REIT or remain qualified as a REIT would subject us to U. S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders. We believe that we have been organized and operated and intend to continue to be organized and to operate in a manner that will allow us to qualify as a REIT for U. S. federal income tax purposes commencing with our taxable year ended December 31, 2009, but we have not requested and do not intend to request a ruling from the Internal Revenue Service (the" IRS") that we so qualify. The U. S. federal income tax laws governing REITs are complex, and judicial and administrative interpretations of the U. S. federal income tax laws governing REIT qualification are limited. To qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U. S. federal income tax purposes. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U. S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to stockholders, and we no longer would be required to distribute substantially all of our taxable income to stockholders. Unless we were eligible for certain statutory relief provisions, we could not re- elect to qualify as a REIT for the subsequent four taxable years following the year in which we failed to qualify. Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments, to incur debt, or could otherwise adversely affect our ability to execute our business plan. To qualify as a REIT, we must ensure that we meet the REIT gross income test annually and that, at the end of each calendar quarter, at least 75 % of the value of our assets consists of cash, cash items, government securities, shares in REITs and other qualifying real estate assets, including certain mortgage loans and certain kinds of mortgage- backed securities. The remainder of our investments in securities (other than government securities and REIT qualified real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our assets (other than government securities and securities that are qualifying real estate assets) can consist of the securities of any one issuer, no more than 20 % of the value of our total securities can be represented by securities of one or more taxable REIT subsidiaries (" TRSs") and not more than 25 % of the value of our assets can consist of debt instruments issued by publicly offered REITs that are not secured by real property. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. In addition, in order to qualify as a REIT, we must distribute to our stockholders, each calendar year, at least 90 % of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90 % distribution requirement but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax on our undistributed income. In addition, we will incur a 4 % nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U. S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90 % distribution requirement and to avoid the 4 % nondeductible excise tax. In order to meet these requirements, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Furthermore, in order to meet the distribution requirements, we may be required to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements. Thus, compliance with the REIT distribution requirements may hinder our ability to grow. All of these actions could adversely affect the value of our common stock or reduce our income and amounts available for distribution to our stockholders. Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. In addition, we have jointly elected with each of ACREFI I TRS, Inc. (" ACREFI TRS"), a Delaware corporation that is indirectly wholly owned by us, ARM TRS, LLC (" ARM TRS"), a Delaware ~~corporation~~ **limited liability company** that is indirectly wholly owned by us, ACREFI II TRS, Ltd. (" ACREFI II TRS"), a Cayman company that is indirectly wholly owned by us, ACREFI III TRS, Inc. (" ACREFI III TRS"), a Delaware corporation that is indirectly wholly owned by us, and ACRE Debt 2 PLC (" ACRE Debt TRS"), a UK public limited company that we own an interest in, to treat each of ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, and ACRE Debt TRS as a TRS of ours. ACREFI TRS, ARM TRS, and ACREFI III TRS and any other domestic TRSs we own will be subject to U. S. federal, state and local corporate taxes, and ACRE Debt TRS and any other non- U. S. TRS could be subject to U. S. or non- U. S. taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100 % tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, we may hold some of our assets through taxable subsidiary corporations, including ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, ACRE Debt TRS or any other TRSs we may form. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to our stockholders. The Internal Revenue Code and the Treasury Regulations promulgated thereunder provide a specific exemption from U. S. federal income tax that applies to a non- U. S. corporation that restricts its activities in the United States to trading in stock and securities (or any activity closely related thereto) for its own account whether such trading (or such other activity) is conducted by such a non- U. S. corporation or its employees through a resident broker, commission agent, custodian or other agent. Certain U. S. stockholders of such a non- U. S. corporation are required to include in their income currently their proportionate share of the earnings of such a corporation, whether or not such earnings are distributed. Each of ACREFI II TRS and ACRE Debt TRS intend to operate in a manner so that it will not be subject to U. S. federal income tax on its net income. Therefore, despite the status of each of ACREFI II TRS and ACRE Debt TRS as a TRS, it should generally not be subject to U. S. federal corporate income tax on its earnings. However, there is no assurance that ACREFI II TRS and ACRE Debt TRS will successfully operate in this manner. If ACREFI II TRS and ACRE Debt TRS were subject to U. S. federal income tax on all or a portion of its income, this would reduce the amount of cash it had available for distributions to us, which could in turn reduce the amount of cash we are able to distribute to our stockholders. The failure of mortgage loans subject to a secured debt arrangement to qualify as a real estate asset would adversely affect our ability to qualify as a REIT. When we enter into certain secured debt arrangements, we will nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we will be treated for U. S. federal income tax purposes as the owner of the assets that are the subject of any such agreements notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the secured debt arrangement, in which case we could fail to qualify as a REIT. The failure of a **loan, including a** mezzanine loan **or modified loan,** to qualify as a real estate asset could adversely affect our ability to qualify as a REIT. We have and may continue to acquire and originate mezzanine loans, which are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003- 65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75 % gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Our mezzanine loans do not always meet all of the requirements of this safe harbor. In **addition, the terms of a loan that we own may be modified in a manner constituting a" significant modification," in which case the modified loan may be considered to have been reissued to us. If a loan is treated for U. S. federal income tax purposes as reissued as a result of a modification, we may recognize gain or loss on the deemed disposition of the original loan, which could impact our REIT distribution requirement. Further, the modified loan may be treated differently from the original loan, including for purposes of the REIT asset and income tests. In** the event we own a mezzanine loan that does not meet the safe harbor, **or a loan that has undergone a" significant modification,"** the IRS could challenge such loan' s treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, **or if such loan otherwise adversely impacted our REIT asset and income tests,** we could fail to qualify as a REIT, unless we are able to qualify for a statutory REIT" savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification. We may fail to qualify as a REIT or become subject to a penalty tax if the IRS successfully challenges our treatment of our mezzanine loans and certain preferred equity investments as debt for U. S. federal income tax purposes. There is limited case law and administrative guidance addressing whether instruments similar to our mezzanine loans and preferred equity investments will be treated as equity or debt for U. S. federal income tax purposes. We treat our mezzanine loans and our preferred equity investments that have a debt- like fixed return and redemption date as debt for U. S. federal income tax purposes, but we do not obtain private letter rulings from the IRS or opinions of counsel on the characterization of such investments for U. S. federal income tax purposes. If such investments were treated as equity for U. S. federal income tax purposes, we would be treated as owning the assets held by the partnership or limited liability company that issued the mezzanine loan or preferred equity, and we would be treated as receiving our proportionate share of the income of that entity. If that partnership or limited liability company owned **non-** ~~nonqualifying~~ --- **qualifying** assets, earned **non-** ~~nonqualifying~~ --- **qualifying** income, or earned prohibited transaction income, we may not be able to satisfy all of the REIT income or asset tests or could be subject to prohibited transaction tax. Accordingly, we could be required to pay prohibited transaction tax or fail to qualify as a REIT if the IRS does not respect our classification of our mezzanine loans and certain preferred equity investments as debt for U. S. federal income tax purposes unless we are able to qualify for a statutory REIT" savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification. We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them. We may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as" market discount" for U. S. federal income tax purposes. Market discount generally is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions. In addition, we may be required to accrue interest and discount income on mortgage loans, CMBS, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such assets. We may also be required under the terms of the indebtedness that we incur, whether to private lenders or pursuant to government programs, to use cash received from interest payments to make principal payment on that indebtedness. Furthermore, we will generally be required to take certain amounts into income no later than the time such amounts are reflected on our financial statements. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year, which could impact our ability to satisfy the REIT distribution requirements. The" taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations. Securitizations by us or our subsidiaries could result in the creation of taxable mortgage pools for U. S. federal income tax purposes. As a result, we could have" excess inclusion income." Certain categories of stockholders, such as non- U. S. stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax- exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to any such excess inclusion income. In addition, to the extent that our common stock is owned by tax- exempt" disqualified organizations," such as certain government- related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of any excess inclusion income. Moreover, we could face limitations in selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions. Although our use of TRSs may be able to partially mitigate the impact of meeting the requirements necessary to maintain our qualification as a REIT, our ownership of and relationship with our TRSs is limited and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100 % excise tax. A REIT may own up to 100 % of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35 % of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20 % of the value of a REIT' s assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s- length basis. ACREFI TRS, ARM TRS, and ACREFI III TRS and any other domestic TRSs that we may form will pay U. S. federal, state and local income tax on their taxable income, and their after- tax net income will be available for distribution to us but will not be required to be distributed to us, unless necessary to maintain our REIT qualification. In addition, while not intended, it is possible that ACREFI II TRS and ACRE Debt TRS could be subject to U. S. federal, state, and local income tax on all or a portion of its income. While we will be monitoring the aggregate value of the securities of our TRSs and intend to conduct our affairs so that such securities will represent less than 20 % of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions. We are required to include in our income, on a current basis, certain earnings of ACREFI II TRS and ACRE ~~DEBT~~ **Debt** TRS, if any. Those income inclusions were not technically included in any of the enumerated categories of income that qualify for the REIT 95 % gross income test. However, under IRS guidance, certain such income inclusions generally will constitute qualifying income for purposes of the REIT 95 % gross income test. Complying with REIT requirements may limit our ability to hedge effectively. The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate exposure or currency fluctuations will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if the instrument hedges either (i) interest rate risk on liabilities used to carry or acquire real estate assets, (ii) currency fluctuations with respect to items of income that qualify for purposes of the REIT 75 % or 95 % gross income tests or assets that generate such income, or (iii) an instrument that hedges risks described in clause (i) or (ii) for a period following the extinguishment of the liability or the disposition of the asset that was previously hedged by the instrument, and, in each case, such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute **non-** ~~nonqualifying~~ --- **qualifying** income for purposes of both the REIT 75 % and 95 % gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, and ACRE Debt TRS or another TRS. This could increase the cost of our hedging activities because our TRS could be subject to tax on gains or expose us to greater risks associated with changes in interest rates and currency fluctuations than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit to us, although, subject to limitation, such losses may be carried forward to offset future taxable income of the TRS. The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, that would be treated as sales for U. S. federal income tax purposes. A REIT' s net income from prohibited transactions is subject to a 100 % tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held as inventory or primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to sell or securitize loans in a manner that was treated as a sale of the loans as inventory for U. S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans, other than through a TRS, and we may be required to limit the structures we use for our securitization transactions, even though such sales or structures might otherwise be beneficial for us. We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of shares of our common stock. The U. S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U. S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U. S. federal income tax laws and interpretations of U. S. federal tax laws could adversely affect an investment in our common stock. Our qualification as a REIT and exemption from U. S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U. S. federal income tax purposes, and also to what extent those securities constitute REIT real estate assets for purposes of the REIT asset tests and produce income which qualifies under the 75 % REIT gross income test. In addition, when purchasing the equity tranche of a securitization, we may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U. S. corporate income tax and the qualification of interests in such securitization as debt for U. S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax.