

Item 1 – Cover Page

**Form ADV Part 2A Brochure**

**June 3, 2015**

**LoanCore Advisors, LLC**

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*This brochure, dated June 3, 2015 (“**Brochure**”), provides information about the qualifications, investment strategies, and business practices of LoanCore Advisors, LLC (the “**Advisor**”), an investment adviser registered with the U.S. Securities and Exchange Commission (the “**SEC**”).*

*Please note that SEC registration status does not indicate a particular level of skill or training of the Advisor or its employees and that neither the SEC nor any state securities authority has approved this Brochure. The information in this brochure has not been approved or verified by the SEC or by any U.S. state securities authority.*

*If you have any questions about the contents of this Brochure, please contact us at (203) 861-6000 or by e-mail at [cdaly@constellationinvest.com](mailto:cdaly@constellationinvest.com). Additional information about the Advisor is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 – Material Changes**

Prior to the filing of this Form ADV with the SEC, the Advisor was not a registered investment adviser. Therefore, this Brochure does not contain any material changes from any previous brochure.

In the future, this Item 2 will discuss only specific material changes that are made to the previous brochure and provide clients with a summary of those changes. The Advisor will also reference the date of its last annual update of its brochure.

The Advisor will ensure that its clients receive a summary of any material changes to this Brochure and subsequent brochures within 120 days of the close of its fiscal year. The Advisor's clients may request the most recent version of its brochure by contacting the Advisor's Chief Compliance Officer, at (203) 861-6000.

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## Item 4 – Advisory Business

### Background and Ownership Structure

LoanCore Advisors, LLC (the “**Advisor**”) was founded in 2015 as an asset manager focused exclusively on commercial mortgage loans and other commercial real estate-related assets, and has its principal place of business in Greenwich, Connecticut. The Advisor is a wholly owned subsidiary of LoanCore Capital, LLC (“**LoanCore Capital**”), which itself is principally owned by Mark Finerman.

### Advisory Services

The Advisor will serve as the investment adviser to LoanCore Realty Trust, Inc. (the “**Company**”), a newly formed commercial real estate finance company that will primarily originate, invest in and manage commercial mortgage loans and other commercial real estate-related assets. Mr. Finerman, along with other Advisor personnel, will serve as executive officers of the Company and as directors on the Company’s board of directors.

*All descriptions of the Company in this brochure, including, but not limited to, its investments, the strategies used in advising the Company, the risks associated with them, the fees and other costs associated with an investment in the Company, and conflicts of interest faced by the Advisor in connection with advisement of the Company are qualified in their entirety by reference to the Company’s offering and governing documents, including the Company’s Form S-11 (collectively, the “**Company Documents**”).*

Pursuant to a management agreement to be entered into between the Company and the Advisor (the “**Management Agreement**”), the Advisor will, subject to the supervision and direction of the Company’s board of directors, provide discretionary investment advice to the Company and will manage the Company’s investments and day-to-day business and affairs in conformity with the Company Documents (including any investment guidelines and restrictions). The Advisor will be responsible for, among other matters, (1) the selection, the origination or acquisition and the sale of the Company’s portfolio investments, (2) the Company’s financing activities and (3) providing the Company with investment advisory services. The Advisor has formed an investment committee (the “**Investment Committee**”) that will advise and consult with the Advisor’s senior management team with respect to the Company’s investment strategies, investment portfolio holdings, financing and leveraging strategies and investment guidelines. The Investment Committee will be required to approve each investment by the Company. The Advisor will initially advise only one client, the Company.

The Advisor does not participate in wrap fee programs.

*The predecessor entity of the Company (DivCore Subordinate Debt Club I REIT Holding, LLC (the “**Predecessor Entity**”)) was formed in 2013 and is advised by DivCore Subordinate Debt Club I Advisors, LLC (“**DivCore Advisors**”). Upon the completion of the transactions that are scheduled to occur in or around June 2015 (the “**Transactions**”), the Predecessor Entity will*

*effectively merge into the Company, the Advisor will enter into the Management Agreement and the Company will issue shares in public and private offerings. Therefore, any descriptions herein of the Advisor's responsibilities, the Company's activities, the fees received by the Advisor and other characteristics of the Advisor and the Company reflect the anticipated characteristics once the Transactions occur.*

## **Regulatory Assets Under Management**

As of June 3, 2015, the Advisor had \$0 of assets on a discretionary basis and \$0 of assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

*Please see the Company's Form S-11 for additional detail regarding fees and compensation to be paid to the Advisor.*

### **Management Fee**

For its services to the Company, the Advisor will receive a "base management fee," payable quarterly in arrears, in an amount of the greater of (1) a set amount per annum and (2) 1.5% per annum of the Company's "Equity" (generally, this includes the Company's proceeds and earnings less distributions, amounts used to repurchase the Company's capital stock and payments to the Advisor in respect of any incentive compensation). The base management fee will be deducted from the Company's assets.

The Advisor's base management fees will be paid regardless of the performance of the Company's portfolio. The Advisor's entitlement to a base management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive long-term returns for the Company's portfolio. Because the base management fees will also be based in part on the Company's outstanding equity, the Advisor may also be incentivized to advance strategies that increase the Company's equity, and there may be circumstances where increasing the Company's equity will not optimize the returns for its stockholders. Consequently, the Company may be required to pay the Advisor base management fees in a particular period despite experiencing a net loss or a decline in the value of the Company's portfolio during that period.

### **Performance-Based Compensation**

The Advisor will be entitled to incentive compensation from the Company, which is payable with respect to each calendar quarter in arrears in an amount equal to 20% of any increase in the Company's net asset value (after the application of a 7% hurdle) for the applicable quarter, subject to certain limitations as set forth in the Company Documents. Any incentive compensation payable to the Advisor will be deducted from the Company's assets.

The Company's board of directors expects to adopt an "equity incentive plan," which will provide for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, common stock, restricted stock, restricted stock units and performance awards to the Company's directors, officers, employees (if any) and consultants, and the members, officers, directors, employees and consultants of the Advisor or its affiliates, as well as to the Advisor and other entities that provide services to the Company and the employees of such entities.

The Advisor's (and its personnel's) ability to earn performance-based compensation will be based on the Company's earnings, which may create an incentive for the Advisor to invest in assets with higher yield potential, which are generally riskier or more speculative, or sell an asset prematurely for a gain, in an effort to increase the Company's short-term net income and thereby increase the incentive compensation to which the Advisor or its personnel is or may be entitled. This could result in increased risk to the Company's investment portfolio.

Further, the Advisor and its affiliates may be incentivized to allocate investment opportunities to, or spend more time managing, the clients from which the Advisor and its affiliates expect to receive greater performance-based compensation. The Advisor believes that this conflict is mitigated by the fact that: (1) the Company is the only client of the Advisor or its affiliates that is currently making new investments (excluding follow-on investments); and (2) the Advisor maintains allocation procedures to address any potential allocation conflicts (see Item 10 below).

## **Indemnification**

The Company will be obligated to indemnify the Advisor, its affiliates, and the directors, officers, employees, members, partners and stockholders of the Advisor and its affiliates from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) in respect of or arising from any acts or omissions of such person performed in good faith under the Management Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such person under the Management Agreement (provided that such act or omission does not constitute a "cause event"). In addition, the Advisor will not be liable for trade errors that may result from ordinary negligence, including, without limitation, errors in the investment decision making process and/or in the trade process.

The Company expects to enter into indemnification agreements with each of the Company's directors and executive officers, as well as service providers to the Company such as brokers, underwriters and counterparties to repurchase agreements.

## **Other Fees and Expenses**

The Company will be required to reimburse the Advisor or its affiliates for documented costs and expenses incurred by it and its affiliates on the Company's behalf except those specifically required to be borne by the Advisor under the Management Agreement. The

Advisor will be responsible for the salaries and other compensation of the personnel of the Advisor and its affiliates, except for the allocable share of the salaries and other compensation of the Company's (1) chief financial officer based on the percentage of his time spent on Company affairs and (2) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment professional personnel of the Advisor or its affiliates who spend all or a portion of their time managing Company affairs based on the percentage of their time spent on Company affairs.

The Company will be required to pay the following expenses:

- fees, costs and expenses in connection with the issuance and transaction costs incident to the acquisition, negotiation, structuring, trading, settling, disposition and financing of the Company's investments and investments of the Company's subsidiaries (whether or not consummated), including brokerage commissions, hedging costs, prime brokerage fees, custodial expenses, clearing and settlement charges, forfeited deposits, and other investment costs, fees and expenses actually incurred in connection with the pursuit, making, holding, settling, monitoring or disposing of actual or potential investments;
- fees, costs, and expenses of legal, tax, accounting, consulting, auditing, finance, administrative, investment banking, capital market and other similar services rendered to the Company (including, where the context requires, by or through one or more third parties and/or affiliates of the Advisor) or, if provided by the Advisor's personnel or personnel of affiliates of the Advisor, in amounts that are no greater than those that would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis;
- the compensation and expenses of the Company's directors (excluding those directors who are officers of the Advisor) and the cost of liability insurance to indemnify the Company's directors and officers;
- interest and fees and expenses arising out of borrowings made by the Company, including, but not limited to, costs associated with the establishment and maintenance of any of the Company's credit facilities, other financing arrangements, or other indebtedness of the Company (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Company's securities offerings;
- expenses connected with communications to holders of the Company's securities or securities of the Company's subsidiaries and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including, without limitation, all costs of preparing and filing required reports with the SEC, the costs payable by the Company to any transfer agent and registrar in connection with the listing and/or trading of the Company's securities on any exchange, the fees payable by the Company to any such exchange in connection with its listing, costs of preparing, printing and mailing the Company's annual report to the its stockholders and proxy

materials with respect to any meeting of the Company 's stockholders and any other reports or related statements;

- the Company's allocable share of costs associated with technology-related expenses, including without limitation, any computer software or hardware, electronic equipment or purchased information technology services from third-party vendors or affiliates of the Company that is used solely for the Company, technology service providers and related software/hardware utilized in connection with the Company's investment and operational activities;
- the Company's allocable share of expenses incurred by managers, officers, personnel and agents of the Advisor for travel on the Company's behalf and other out-of-pocket expenses incurred by them in connection with the purchase, financing, refinancing, sale or other disposition of an investment or the establishment and maintenance of any securitizations or any of the Company's securities offerings;
- the Company's allocable share of costs and expenses incurred with respect to market information systems and publications, research publications and materials, including, without limitation, news research and quotation equipment and services;
- the costs and expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations relating to the Company's activities;
- the costs of any litigation involving the Company or its assets and the amount of any judgments or settlements paid in connection therewith, directors and officers, liability or other insurance and indemnification or extraordinary expense or liability relating to the Company's affairs;
- all taxes and license fees;
- all insurance costs incurred in connection with the operation of the Company's business except for the costs attributable to the insurance that the Advisor elects to carry for itself and its personnel;
- the Company's allocable share of costs and expenses incurred in contracting with third parties, in whole or in part, on the Company's behalf;
- all other costs and expenses relating to the Company's business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, reporting, audit and legal fees;
- expenses (including the Company's *pro rata* portion of rent, telephone, printing, mailing, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses) relating to any office(s) or office facilities, including, but not limited to, disaster backup recovery sites and facilities, maintained for the Company or its investments or the investments of the Advisor or their affiliates required for the Company's operations;

- expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Company's board of directors to or on account of holders of the Company's securities or of its subsidiaries, including, without limitation, in connection with any dividend reinvestment plan;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Company or any subsidiary, or against any director, trustee, partner, member or officer of the Company or of any subsidiary in his capacity as such for which the Company or any subsidiary is required to indemnify such director, trustee, partner, member or officer by any court or governmental agency; and
- all other expenses actually incurred by the Advisor (except as otherwise described above) which are reasonably necessary for the performance by the Advisor of its duties and functions under the Management Agreement.

In the event that the Company terminates the Management Agreement without cause or the Advisor terminates the Management Agreement based on a material breach of the agreement by the Company, then the Company will owe the Advisor a termination fee, as described in the Company Documents.

Certain stockholders, under very limited circumstances, have negotiated alternative investment terms (see Item 16 below).

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

As described in Item 5 above, the Advisor will receive performance-based compensation from the Company.

See Item 5 above for potential conflicts of interest related to the Advisor's receipt of performance-based compensation.

The Advisor does not currently, but may in the future, manage any account for which it does not charge a performance-based fee. In the case that the Advisor manages accounts that have different fee arrangements in place, the Advisor may have an incentive to favor clients that pay performance-based fees over clients that pay only asset-based fees (for example, in the context of allocating favorable investment opportunities among its clients).

## **Item 7 – Types of Clients**

As noted in Item 4 above, the Advisor will provide discretionary investment advice to the Company, which is a Maryland corporation that intends to qualify to be taxed as a real estate investment trust (“**REIT**”) for U.S. federal income tax purposes. The Company expects to list its shares of common stock on the New York Stock Exchange under the symbol “LCRT.” The minimum investment in the Company will generally be the then-current price per share of the Company's common stock.

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

*The following is a summary of (1) the strategies and methods of analysis that the Advisor intends to use in formulating advice or managing assets (and related material risks) for the Company and (2) certain material risks associated with the types of securities that the Advisor will primarily recommend to the Company.*

*The information included in this Brochure does not include every potential risk associated with each investment strategy or security. Stockholders and prospective stockholders in the Company are urged to review all risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Company's Form S-11) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss that stockholders should be prepared to bear.*

### Methods of Analysis and Investment Strategy

The Company intends to utilize the Advisor's network of experienced commercial mortgage loan originators to identify investment opportunities. For each investment opportunity, the Advisor's deal team (the "**Deal Team**") will prepare an initial loan sizing, receive initial approval on proposed loan terms and structure from the Company's chief investment officer, receive preliminary pricing from the head of capital markets, and, assuming the potential investment generally meets the Company's credit and investment criteria, draft a preliminary quote sheet for issuance to the borrower. In addition, the Deal Team will submit property characteristics and preliminary loan terms and structure to the Company's chief credit officer for approval to issue a formal conditional commitment. The Deal Team will then contact outside counsel to prepare the conditional commitment and distribute it to the borrower.

Investments are priced based on market conditions. Then, using a proprietary model, the Deal Team will confirm that the required pricing achieves the appropriate return on any given investment. Key model inputs include anticipated subordination levels, current credit spreads and relevant property and investment metrics, including asset type, property class, underwritten cash flow, property valuation, investment amount, investment term and amortization type. Model assumptions and pricing methodology are constantly adjusted based on prevailing market conditions, investor sentiment and activity and portfolio allocations and concentrations at the time of pricing.

Upon receipt of an executed conditional commitment and an expense deposit, the Deal Team will commence full due diligence. Concurrently with the due diligence process, the Deal Team will structure the proposed investment and prepare an Investment Committee memorandum for the Advisor's senior management team.

The Company's investments will generally be originated or acquired in accordance with specific underwriting criteria as set forth in the Company Documents. However, variations from these guidelines may be implemented as a result of various conditions. The credit underwriting process for each investment will be performed by the local originator and his

or her deal team. This team will be required to conduct a thorough review of the underlying property, which typically will include an examination of historical operating statements, rent rolls, tenant leases, current and historical real estate tax information, insurance policies and/or schedules, and third-party reports pertaining to appraisal/valuation, zoning, environmental status and physical condition/seismic/engineering.

A member of the Deal Team will be required to perform an inspection of the property as well as a review of the surrounding market area, including demand generators and competing properties, in order to confirm tenancy information, assess the physical quality of the collateral, determine visibility and access characteristics and evaluate the property's competitiveness within its market. The Deal Team, along with an affiliated or unaffiliated third-party provider engaged by the Advisor, also will perform a detailed review of the financial status, credit history and background of the borrower and certain key principals through financial statements, income tax returns, credit reports, background investigations and specific searches for judgments, liens, bankruptcy and pending litigation. Circumstances may also warrant an examination of the financial strength and credit of key tenants as well as other factors that may impact the tenants' ongoing occupancy or ability to pay rent. The Deal Team's review will also include an evaluation of relative valuation, comparable analysis, supply and demand trends, shape of yield curves, delinquency and default rates, recovery of various sectors and vintage of collateral.

After the compilation and review of all documentation and other relevant considerations, the Deal Team will finalize its detailed underwriting analysis of the property's cash flow in accordance with the Company's property-specific cash flow underwriting guidelines. Determinations will be made regarding the implementation of appropriate loan terms to structure in a manner to mitigate risks, which may result in features such as ongoing escrows or upfront reserves, letters of credit, lockboxes/cash management or guarantees. Among other requirements, all of the Company's loans will require borrowers to purchase LIBOR caps to hedge against rising interest rates. As part of the underwriting process, the Advisor will typically obtain the property assessments and reports described in the Company Documents.

Following the completion of due diligence, the Deal Team will prepare a memorandum summarizing its due diligence findings and will present it to the Investment Committee. The Investment Committee will review, among other things, property details, market fundamentals, borrower creditworthiness, investment structure, cash flow underwriting and deal risks and mitigating factors prior to issuing an approval for funding. The Advisor's investment decisions will be based on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments.

The Investment Committee will evaluate investment opportunities based on stringent investment criteria including: (1) asset quality; (2) strong, sustainable cash flow profiles; (3) well-capitalized sponsorship; (4) strong market fundamentals with favorable demographics; (5) securely structured transactions with appropriate protective covenants;

(6) favorable distribution strategies; (7) balanced portfolio composition and risk diversification; (8) impact on maintaining the Company's qualification as a REIT and its exclusion from registration under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"); (9) general compliance with the Company's underwriting guidelines and procedures; and (10) compliance with the Company's investment guidelines. Investment approval will require majority approval by members of the Investment Committee.

The Company will focus on originating and selectively acquiring commercial mortgage loans that are secured or otherwise supported by institutional quality commercial real estate located in in-fill locations that the Company generally intends to hold for long-term investment. The Advisor intends to build upon the Company's competitive strengths to grow its business through the following investment strategies:

- *Capitalize on Demand for Commercial Real Estate Financing.* The Advisor will seek to capitalize on the opportunity created by the confluence of two major themes: (1) the constrained supply of commercial real estate debt capital due to retrenchment by commercial banks and other large commercial lenders since 2007 and (2) the substantial increase in demand expected from borrowers for new financing in the commercial real estate sector between 2015 and 2019 (and potentially beyond) fueled by, among other things, approximately \$1.7 trillion of commercial real estate debt that is scheduled to mature during this time, according to Trepp, LLC.
- *Originate and Selectively Acquire Additional Commercial Mortgage Loans and Other Commercial Real Estate-Related Assets.* The Advisor intends to grow the Company's lending business by continuing to originate and selectively acquire additional commercial mortgage loans and other commercial real estate-related assets, which the Company generally intends to hold for long-term investment. Under current market conditions, the Advisor intends to focus the Company's investments primarily on floating rate first mortgage loans with principal balances under \$100 million that are generally secured or otherwise supported by high quality properties or properties in attractive geographic locations.
- *Focus on Major Metropolitan Markets.* Using the Advisor's network of experienced commercial mortgage loan originators strategically located in major markets across the United States, including Greenwich, Los Angeles, San Francisco, Orange County, Chicago and Atlanta, the Advisor intends to continue to focus geographically on markets in the United States, primarily in major metropolitan areas that exhibit favorable long-term demographics, including in California and New York. The Company will also focus on the opportunities presented in regions in Europe where there is minimal availability of debt capital and limited transactional volume, though real estate fundamentals are stable.
- *Utilize LoanCore's Expertise to Build upon Existing Relationships and Identify Attractive Opportunities.* The Advisor, including its senior management team, has a broad history in the commercial real estate finance industry, resulting in extensive relationships with owners, managers and operators of commercial real estate in the United States and in

Europe. In addition, the Advisor maintains long-standing relationships in the investment banking and mortgage brokerage communities, which the Company believes generate substantial deal flow for its business. The Advisor intends to build upon these relationships to capitalize on current market opportunities in order to grow the Company's business. As market conditions evolve over time, the Company expects that the Advisor will adjust and evolve the Company's investment strategies to adapt to such changes as the Advisor feels appropriate. The Company believes that its current target assets provide significant investment opportunities for attractive returns. However, this Advisor may modify or expand the Company's investment focus and thus targeted investment opportunities to those that are most attractive at the particular stage in the economic and real estate investment cycle at a given time.

The Company expects to finance its investments over time with various types of borrowings, including, but not limited to, bank credit facilities (including term loans and revolving facilities), repurchase agreements and facilities (including master repurchase facilities), warehouse facilities and structured financing and derivative instruments, in addition to transaction or asset-specific funding arrangements. The Company may also issue additional equity, equity-related and debt securities to fund its investment strategies.

Subject to maintaining its qualification as a REIT, the Company may, from time to time, engage in hedging transactions that seek to mitigate the effects of fluctuations in interest rates or currencies and their effects on the Company's operating results and cash flows.

## **Target Assets**

The Company will invest primarily in commercial mortgage loans and other commercial real estate-related assets, focusing on loans secured by properties primarily in the office, mixed use, multifamily, industrial, retail, hospitality, self-storage and manufactured housing real estate sectors in the United States and, to a lesser extent, in Europe, including, but not limited to, the following:

- *Commercial Mortgage Loans.* the Company intends to continue to focus on originating and selectively acquiring mortgage loans that are backed by commercial properties. Mortgage loans are generally secured by a first mortgage lien on a commercial property, may vary in duration, may bear interest at a fixed or floating rate, and may amortize and typically require a balloon payment of principal at maturity. These loans may encompass a whole loan or may also include *pari passu* participations within such a mortgage loan.
- *Other Commercial Real Estate-Related Assets.* although the Company expects that originating and selectively acquiring commercial mortgage loans will be its primary area of focus, it also expects to opportunistically originate and selectively acquire other commercial real estate-related assets, subject to maintaining its qualification as a REIT, including, but not limited to, the following:

- mezzanine loans: loans made to commercial 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 property, such loans being subordinate to whole mortgage loans secured by first or second mortgage liens on the property itself;

- subordinate mortgage interests: interests, often referred to as “B Notes,” in loans secured by a first mortgage on a single large commercial property or group of related commercial properties and that are subordinated in right of payment to a senior interest in such loans;

- preferred equity: investments in an entity that are subordinate to any debt of such entity, but senior to such entity’s common equity;

- construction or rehabilitation loans: mortgage loans and mezzanine loans to finance the cost of construction or rehabilitation of a commercial property;

- net leases / sale-leaseback transactions: commercial properties subject to net leases, which typically have longer terms than gross leases, require tenants to pay substantially all of the operating costs associated with the properties and often have contractually-specified rent increases throughout their term as well as renewal terms at the option of the tenant; the Company may acquire these properties through sale-leaseback transactions, which involve the purchase of a property and the leasing of such property back to the seller thereof;

- participating debt: debt investments that participate in equity ownership;

- commercial real estate corporate debt: corporate bonds of commercial real estate operating or finance companies and corporate bank debt, which may be in the form of a term loan or a revolving credit facility that is often secured by the company’s assets or equity in subsidiaries;

- real estate securities: interests in real estate, which may take the form of commercial mortgage-backed securities (“**CMBS**”) or collateralized loan obligations (“**CLOs**”), that are collateralized by pools of commercial real estate debt instruments, often first mortgage loans; and

- miscellaneous assets: other commercial real estate-related assets, if necessary, to maintain the Company’s qualification as a REIT for U.S. federal income tax purposes or its exclusion from regulation under the Investment Company Act.

The Company will have two wholly owned subsidiaries, DivCore CLO 2013-1, LLC and DivCore CLO 2013-1, Ltd. (collectively, the “**LoanCore CLO**”). The LoanCore CLO is managed by DivCore Advisors and will hold the Company’s portfolio (see Item 10 below).

## **Certain Related Risks**

*Commercial real estate debt assets that are secured, directly or indirectly, by commercial property are subject to delinquency, foreclosure and loss, which could materially and adversely affect the Company*

Commercial real estate debt assets, such as mortgage loans, mezzanine loans and preferred equity, that are secured or, in the case of certain assets (including mezzanine loans and preferred equity), that are supported by commercial property are subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to pay the principal of and interest on 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 pay the principal of and interest on the loan in a timely manner, or at all, may be impaired and therefore could reduce the Company's return from an affected property or investment, which could materially and adversely affect the Company. Net operating income of an income-producing property may be adversely affected by the risks particular to real property described above, as well as, among other things:

- tenant mix and tenant bankruptcies;
- success of tenant businesses;
- property management decisions, including with respect to capital improvements, particularly in older building structures;
- property location and condition;
- competition from comparable types of properties;
- changes in specific industry segments;
- declines in regional or local real estate values or rental or occupancy rates; and
- increases in interest rates, real estate tax rates and other operating expenses.

In the event of any default under a mortgage loan held directly by the Company, the Company will bear a risk of loss to the extent of any deficiency between the value of the collateral and the principal of and accrued interest on the mortgage loan. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to that borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on any anticipated return on the foreclosed mortgage loan.

*Interest rate fluctuations could significantly decrease the Company's ability to generate income on its investments, which could materially and adversely affect the Company*

The Company's primary interest rate exposure will relate to the yield on its investments and the financing cost of its debt, as well as its interest rate swaps that it may utilize for hedging purposes. Changes in interest rates will affect the Company's net income from investments, which is the difference between the interest and related income it earns on its interest-earning investments and the interest and related expense the Company incurs in financing these investments. Interest rate fluctuations that result in the Company's interest and related expense exceeding interest and related income would result in operating losses for the Company. Changes in the level of interest rates also may affect the Company's ability to originate or acquire investments and may impair the value of the Company's investments and its ability to realize gains from the disposition of assets. Changes in interest rates may also affect borrower default rates.

The Company's operating results will depend, in part, on differences between the income earned on its investments, net of credit losses, and its financing costs. For any period during which the Company's investments are not match-funded, the income earned on such investments may respond more slowly to interest rate fluctuations than the cost of the Company's borrowings. Consequently, changes in interest rates, particularly short-term interest rates, could materially and adversely affect the Company.

*Prepayment rates may adversely affect the value of the Company's investment portfolio*

Prepayment rates may adversely affect the value of the Company's investment portfolio. Prepayment rates on the Company's investments, where contractually permitted, are influenced by changes in current interest rates, significant improvement in the performance of underlying real estate assets and a variety of economic, geographic and other factors beyond the Company's control. The Company will invest in loans and other assets secured or, in the case of certain assets (including mezzanine loans and preferred equity), supported by transitional real estate assets and significant improvement in the performance of such assets may result in prepayments as other financing alternatives become available to the borrower. Consequently, prepayment rates cannot be predicted with certainty and no strategy can completely insulate the Company from increases in such rates. In periods of declining interest rates, prepayments on investments generally increase and the proceeds of prepayments received during these periods may generally be reinvested by the Company in comparable assets at reduced yields. In addition, the market value of investments subject to prepayment may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates. Conversely, in periods of rising interest rates, prepayments on investments, where contractually permitted, generally decrease, in which case the Company would not have the prepayment proceeds available to invest in comparable assets at higher yields. Furthermore, the Company may acquire assets at a discount or premium and the Company's anticipated yield would be impacted if such assets prepay more quickly than anticipated. Under certain interest rate and prepayment scenarios, the Company may fail to recoup fully its cost of certain investments. In a limited number of investments, the Company may be entitled to fees upon their prepayment although no assurance can be given that such fees will adequately compensate it as the functional equivalent of a "make whole" payment. Furthermore, the

Company may not be able to structure future investments to impose a make whole obligation upon a borrower in the case of an early prepayment.

*The Company's investment portfolio may be concentrated by region, and may be concentrated by asset or property type, increasing the Company's risk of loss if there are adverse developments or greater risks affecting the particular concentration*

The Company's investment portfolio may be concentrated by geographic region, and may be concentrated in the future by asset or property type, increasing its risk of loss if there are adverse developments or greater risks affecting the particular concentration. Adverse conditions in the areas where the properties securing or otherwise underlying the Company's investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the value of the Company's investments. A material decline in the demand for real estate or the demand or ability of tenants to pay rent in these geographic regions may materially and adversely affect the Company.

*A lack of liquidity in certain of the Company's investments may materially and adversely affect the Company*

A lack of liquidity in certain of the Company's investments may make it difficult for it to sell such assets if the need or desire arises. Certain investments that the Company intends to make, such as mortgage loans, B Notes, mezzanine and other loans (including participations) and preferred equity, in particular, are relatively illiquid investments due to their short life and the less likely recovery of their principal and their expected yield in the event of a borrower's default. In addition, certain of the Company's investments may become less liquid after the Company's investment as a result of periods of delinquencies or defaults or turbulent market conditions, which may make it more difficult for the Company to dispose of such investments at advantageous times or in a timely manner. Moreover, the Company expects that many of its investments will not be registered under the relevant securities laws, resulting in prohibitions against their transfer, sale, pledge or their disposition except in transactions that are exempt from registration requirements or are otherwise in accordance with such laws. As a result, many of the Company's investments are or will be illiquid, and if the Company is required to liquidate all or a portion of its portfolio quickly, for example as a result of margin calls, it may realize significantly less than the value at which the Company has previously recorded its investments.

*Most of the commercial mortgage loans that the Company will originate or acquire are nonrecourse loans and the assets securing these loans may not be sufficient to protect it from a partial or complete loss if the borrower defaults on the loan, which could materially and adversely affect the Company*

Except for customary nonrecourse carve-outs for certain actions and environmental liability, most commercial mortgage loans are effectively nonrecourse obligations of the

sponsor and borrower, meaning that there is no recourse against the assets of the borrower or sponsor other than the underlying collateral. In the event of any default under a commercial mortgage loan held directly by the Company, it will bear a risk of loss to the extent of any deficiency between the value of the collateral and the principal of and accrued interest on the mortgage loan, which could materially and adversely affect the Company. Even if a commercial mortgage loan is recourse to the borrower (or if a nonrecourse carve-out to the borrower applies), in most cases, the borrower's assets are limited primarily to its interest in the related mortgaged property. Further, although a commercial mortgage loan may provide for limited recourse to a principal or affiliate of the related borrower, there is no assurance that any recovery from such principal or affiliate will be made or that such principal's or affiliate's assets would be sufficient to pay any otherwise recoverable claim. In the event of the bankruptcy of a 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.

*The Company's origination or acquisition of construction loans will expose it to an increased risk of loss*

The Company intends to originate or acquire construction loans. If the Company fails to fund its entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete construction from other sources; a borrower claim against the Company for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan. As described below, the process of foreclosing on a property is time-consuming, and the Company may incur significant expense if it forecloses on a property securing a loan under these or other circumstances.

*Risks of cost overruns and non-completion of the construction or renovation of the properties underlying loans the Company originates or acquires could materially and adversely affect it*

The renovation, refurbishment or expansion by a borrower of a mortgaged property involves risks of cost overruns and non-completion. Costs of construction or renovation to bring a property up to standards established for the market intended for that property may exceed original estimates, possibly making a project uneconomical. Other risks may include: environmental risks, permitting risks, other construction risks and subsequent leasing of the property not being completed on schedule or at projected rental rates. If such construction or renovation is not completed in a timely manner, or if it costs more than expected, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments of interest or principal to the Company, which could materially and adversely affect the Company.

*Any investments the Company makes in CMBS, CLOs, collateralized debt obligations, or CDOs, and other similar structured finance investments would pose additional risks*

The Company may invest in CMBS, CLOs, CDOs and other similar structured finance investments, which are subordinated classes of securities in a structure of securities secured by a pool of mortgages or loans. Such securities are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Thus, there is generally only a nominal amount of equity or other debt securities junior to such positions, if any, issued in such structures. The estimated fair values of such subordinated interests tend to be much more sensitive to adverse economic downturns and underlying borrower developments than more senior securities. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality CMBS, CLOs or CDOs because the ability of borrowers to make principal and interest payments on the mortgages or loans underlying such securities may be impaired, as has occurred throughout the recent economic recession and weak recovery.

Subordinate interests such as CLOs, CDOs and similar structured finance investments generally are not actively traded and are relatively illiquid investments and volatility in CLO and CDO trading markets may cause the value of these investments to decline. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral value is available to satisfy interest and principal payments and any other fees in connection with the trust or other conduit arrangement for such securities, the Company may incur significant losses.

With respect to the CMBS, CLOs and CDOs in which the Company may invest, control over the related underlying loans will be exercised through a special servicer or collateral manager designated by a “directing certificateholder” or a “controlling class representative,” or otherwise pursuant to the related securitization documents. The Company may acquire classes of CMBS, CLOs or CDOs, for which it may not have the right to appoint the directing certificateholder or otherwise direct the special servicing or collateral management. With respect to the management and servicing of those loans, the related special servicer or collateral manager may take actions that could materially and adversely affect the Company’s interests.

*The Company intends to originate or acquire interim loans, which will expose it to an increased risk of loss*

The Company intends to originate or acquire interim loans secured by first lien mortgages on commercial real estate that provide interim financing to borrowers seeking short-term capital for the acquisition or transition (e.g., lease up and/or rehabilitation) of commercial real estate generally having a maturity of three years or less. Such a borrower under an interim loan has usually identified a transitional asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to recover according to the borrower’s projections, or if the borrower fails to improve the quality of the asset’s management and/or the value of the asset, the borrower may not

receive a sufficient return on the asset to satisfy the interim loan, and the Company will bear the risk that it may not recover some or all of its initial expenditure.

In addition, borrowers usually use the proceeds of a long-term mortgage loan to repay an interim loan. The Company may therefore be dependent on a borrower's ability to obtain permanent financing to repay an interim loan, which could depend on market conditions and other factors. Interim loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under interim loans held by the Company, it will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the interim loan.

*The Company may finance first mortgage loans, which may present greater risks than if it had made first mortgages directly to owners of real estate collateral*

The Company's portfolio may include first mortgage loan financings, which are loans made to holders of mortgage loans that are secured by commercial real estate. While the Company will have certain rights with respect to the real estate collateral underlying a first mortgage loan, the holder of the commercial real estate first mortgage loans may fail to exercise its rights with respect to a default or other adverse action relating to the underlying real estate collateral or fail to promptly notify the Company of such an event, which would adversely affect the Company's ability to enforce its rights. In addition, in the event of the bankruptcy of the borrower under the first mortgage loan, the Company may not have full recourse to the assets of the holder of the commercial real estate loan, or the assets of the holder of the commercial real estate loan may not be sufficient to satisfy the Company's first mortgage loan financing. Accordingly, the Company may face greater risks from its first mortgage loan financings than if it had made first mortgage loans directly to owners of real estate collateral.

*Investments in non-conforming and non-investment grade rated investments involve an increased risk of default and loss*

The Company's investments may not conform to conventional loan standards applied by traditional lenders. In addition, certain of the investments in the Company's portfolio upon the completion of this offering are not, and the Company's future investments may not be, rated as investment grade by the rating agencies (including investments not rated at all as is often the case for private loans). As a result, these investments should be expected to have an increased risk of default and loss than investment-grade rated assets. Any loss the Company incurs may be significant and may materially and adversely affect the Company. The Company's investment guidelines do not limit the percentage of unrated or non-investment grade rated assets the Company may hold in its portfolio.

*Any credit ratings assigned to the Company's investments will be subject to ongoing evaluations and revisions and the Company cannot assure that those ratings will not be downgraded*

Some of the Company's investments are or may be rated by rating agencies such as Moody's Investors Service, Inc., Fitch Ratings, Inc., Standard & Poor's Ratings Services, Morningstar, Inc., DBRS Limited, Realpoint LLC or Kroll, Inc. Any credit ratings on the Company's investments are subject to ongoing evaluation by credit rating agencies, and the Company cannot assure investors that any such ratings will not be downgraded 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 the Company's investments in the future, the value and liquidity of the Company's investments could significantly decline, which would adversely affect the value of the Company's investment portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to the Company.

*The Company may invest in derivative instruments, which would subject it to increased risk of loss*

Subject to maintaining the Company's qualification as a REIT, the Company may invest in derivative instruments. Derivative instruments, especially when purchased in large amounts, may not be liquid in all circumstances, so that in volatile markets the Company may not be able to close out a position without incurring a loss. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile and such instruments may subject the Company to significant losses. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Such derivatives and other customized instruments also are subject to the risk of non-performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and speculative position limits on the exchanges or over-the-counter markets in which the Company may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Company to the potential of greater losses. Derivative instruments that may be purchased or sold by the Company may include instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater and the ease with which the Company can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are traded over-the-counter and not on an exchange. Such over-the-counter derivatives are also typically not subject to the same type of investor protections or governmental regulation as exchange-traded instruments.

In addition, the Company may invest in derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with its investment objectives and legally permissible. Any such investments may expose the Company to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and/or the Company determines to make such an investment.

*Any distressed investments the Company makes, or investments that later become non-performing, may subject the Company to losses and other risks relating to bankruptcy proceedings, which could materially and adversely affect the Company*

While the Company currently intends to focus primarily on performing investments, it may also make distressed investments (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or certain of its investments may become non-performing following the Company's acquisition thereof. Certain of the Company's investments may include properties that typically are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or securities of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or securities of other borrowers or issuers. Loans or securities of financially or operationally troubled issuers are less liquid and more volatile than loans or securities of borrowers or issuers not experiencing such difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. Investment in the loans or securities of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk.

In certain limited cases (e.g., in connection with a workout, restructuring or foreclosure proceeding involving one or more of the Company's investments), the success of the Company's investment strategies with respect thereto will depend, in part, on the Company's ability to effectuate loan modifications and/or restructure and improve the operations of the Company's borrowers. The activity of identifying and implementing successful restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that the Company will be able to identify and implement successful restructuring programs and improvements with respect to any distressed investments it may have from time to time.

These financial difficulties may never be overcome and may cause borrowers to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that the Company may incur substantial or total losses on its investments and, in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of the Company's original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding relating to the Company's investments, the Company may lose its entire investment, may be required to accept cash or securities with a value less than the Company's original investment and/or may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances, payments to the Company may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay the Company's ability to realize on collateral for loan positions held by it, may adversely affect the

economic terms and priority of such loans through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the “cramdown” provisions of the bankruptcy laws. Any of the foregoing results could materially and adversely affect the Company.

*The Company may need to foreclose on certain of the loans it originates or acquires, which could result in losses that materially and adversely affect the Company*

The Company may find it necessary or desirable to foreclose on certain of the loans it originates or acquires, and the foreclosure process may be lengthy and expensive. Whether or not the Company has participated in the negotiation of the terms of any such loans, it cannot assure investors 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 the Company’s rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the Company, 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. In some states, foreclosure actions can take several years or more to litigate. 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 potentially resulting 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 the Company is successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover the Company’s cost basis in the loan, resulting in a loss to the Company. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net proceeds and, thus, increase the loss. The incurrence of any such losses could materially and adversely affect the Company.

*The Company may experience a decline in the fair value of investments it may make in securities, which could materially and adversely affect the Company*

A decline in the fair value of investments the Company may make in securities, such as CMBS, may require the Company to recognize an “other-than-temporary” impairment against such assets under GAAP if the Company were to determine that, with respect to any assets in unrealized loss positions, it does not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the original acquisition cost of such assets. If such a determination were to be made, the Company would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition. The subsequent disposition or sale of such assets could further affect the Company’s future losses or gains, as they are based on the difference between the sale

price received and adjusted amortized cost of such assets at the time of sale. If the Company experiences a decline in the fair value of its investments, it could materially and adversely affect the Company.

*Insurance proceeds on a property may not cover all losses, which could result in the corresponding non-performance of or loss on the Company's investment related to such property*

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds that are insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received with respect to a property relating to one of the Company's investments might not be adequate to restore the Company's economic position with respect to its investment. Any uninsured loss could result in the corresponding non-performance of or loss on the Company's investment related to such property.

*Liability relating to environmental matters may impact the value of properties that the Company may acquire upon foreclosure of the properties underlying the Company's investments*

To the extent the Company forecloses on properties underlying its investments, the Company may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. If the Company forecloses on any properties underlying its investments, the presence of hazardous substances on a property may adversely affect the Company's ability to sell the property and the Company may incur substantial remediation costs. As a result, the discovery of material environmental liabilities attached to such properties could materially and adversely affect the Company.

*The Company may be subject to lender liability claims, and if the Company is held liable under such claims, it could be subject to losses*

In recent years, 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. The Company cannot assure prospective investors that such claims will not arise or that it will not be subject to significant liability and losses if a claim of this type were to arise.

*The Company's use of leverage may create a mismatch with the duration and index of the investments that the Company is financing*

The Company intends to structure its leverage such that it minimizes the difference between the term of its investments and the leverage it uses to finance such an investment. In the event that the Company's leverage is for a shorter term than the financed investment, it may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on the Company's liquidity and its returns. In the event that the Company's leverage is for a longer term than the financed investment, it may not be able to repay such leverage or replace the financed investment with an optimal substitute or at all, which would negatively impact the Company's desired leveraged returns.

The Company attempts to structure its leverage such that it minimizes the difference between the index of its investments and the index of its leverage (i.e., financing floating rate investments with floating rate leverage and fixed rate investments with fixed rate leverage). If such a product is not available to the Company from its lenders on reasonable terms, the Company may use hedging instruments to effectively create such a match. For example, in the case of future fixed rate investments, the Company may finance such an investment with floating rate leverage, but effectively convert all or a portion of the attendant leverage to fixed rate using hedging strategies.

The Company's attempts to mitigate such risk are subject to factors outside its control, such as the availability to it of favorable financing and hedging options, which is subject to a variety of factors, of which duration and term matching are only two. The risks of a duration mismatch are magnified by the potential for the extension of loans in order to maximize the likelihood and magnitude of their recovery value in the event the loans experience credit or performance challenges. Employment of this asset management practice would effectively extend the duration of the Company's investments, while the Company's liabilities have set maturity dates.

*Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code*

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize the Company's REIT qualification. The Company's qualification as a REIT will depend on its satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, the Company's ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which it has no control or only limited influence, including in cases where the Company owns an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

## Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as the Advisor to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to the evaluation of its advisory business or the integrity of its management. The Advisor has no information to report that is applicable to this item.

## Item 10 – Other Financial Industry Activities and Affiliations

*The Advisor has a number of material relationships with its affiliates and other industry participants, and various potential and actual conflicts of interest may arise from the investment activities of the Advisor and those persons. The following briefly summarizes those relationships and the material conflicts associated with those relationships, but is not intended to be an exclusive list of all such conflicts.*

Yellow Brick Real Estate Capital I MM, LLC (“**Yellow Brick MM**”), advises the Yellow Brick Real Estate Capital I, LLC (the “**Yellow Brick Fund**”), a private investment fund which, like the Company, originates, invests in and manages commercial mortgage loans and other commercial real estate-related assets. Yellow Brick MM is principally owned by LoanCore Capital, and Yellow Brick Fund’s sole investor is an affiliate of GIC Real Estate Private Limited, the real estate investment arm of GIC Private Limited (“**GIC**”). An affiliate of GIC intends to acquire an ownership interest in the Company in the Transactions.

An affiliate of the Advisor and Yellow Brick MM, LoanCore HY Manager I, LLC (“**LoanCore HY**”)<sup>1</sup>, manages a separate account (the “**LoanCore Separate Account**”, and, together with the Yellow Brick Fund and any clients advised by the Advisor or an affiliate in the future, the “**Other Clients**”)) for an affiliate of GIC, which such account has investment objectives and strategies that are substantially similar or otherwise related to the Yellow Brick Fund. The investment periods of the Yellow Brick Fund and the LoanCore Separate Account have expired.

Jefferies LoanCore LLC (“**JLC**”) an entity that focuses on originating and then securitizing commercial real estate loans, is a joint venture among affiliates of each of Jefferies Group LLC (“**Jefferies Group**”) and GIC, as well as certain members of the Advisor’s senior management team. Mr. Finerman serves on JLC’s board of managers and Mr. Finerman and Christopher McCormack each have an ownership interest in JLC<sup>2</sup>.

As described in Item 8 above, DivCore Advisors serves as the collateral manager of the LoanCore CLO. Mr. Finerman owns a 20% interest in DivCore Advisors and serves on its investment committee. As collateral manager, DivCore Advisors is entitled to receive a monthly fee from LoanCore CLO, but DivCore Advisors has agreed to waive this fee for so long as the Company is managed by the Advisor.

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<sup>1</sup> LoanCore HY’s sole member is LoanCore Capital.

<sup>2</sup> Mr. Finerman (individually and through an entity owned by Mr. Finerman) has a 1.7% preferred interest and common interest in JLC and Mr. McCormack has a 0.3% preferred interest and common interest in JLC.

The Company's officers and one of its directors, and the officers and other personnel of the Advisor, will serve as officers, directors, members or partners of the Advisor and its affiliates, including, without limitation, the Other Clients and JLC. Accordingly, the ability of the Advisor and its officers and other personnel, including the Company's chairman and executive officers, to engage in other business activities may reduce the time they spend managing the Company's business. In addition, officers and other personnel of the Advisor will have obligations to Other Clients, JLC and their respective investors and owners, the fulfillment of which might not be in the best interests of the Company or its stockholders.

The Advisor and LoanCore Capital will agree that, for so long as the Management Agreement between the Advisor and the Company is in effect and LoanCore Capital controls the Advisor, neither they nor any entity controlled by LoanCore Capital will manage or sponsor any other public vehicle in the United States whose strategy is to originate and acquire commercial mortgage loans and other commercial real estate-related debt assets with the intention of holding those assets for long-term investment.

Mr. Finerman and Mr. McCormack each has an employment agreement with JLC, the terms of which will require such officer to devote substantially all of his business time collectively to the management of JLC and LoanCore Capital's asset management business, including any business conducted by the Company, provided that such officer devotes sufficient business time reasonably necessary to implement JLC's annual business plan.

The Advisor currently does not have more than one client. However, as noted above in this Item 10, its affiliate Yellow Brick MM, advises the Yellow Brick Fund, its affiliate LoanCore HY advises the Yellow Brick Account and personnel of the Advisor participate in the JLC joint venture. At this time, JLC is the only other investment vehicle with which the Advisor or its personnel is actively involved (besides the Company) that is currently seeking new investments (excluding follow-on investments); the investment periods for the Other Clients have expired. To the extent JLC or Other Clients seek to acquire the Company's target assets, the number and scope of investment opportunities otherwise available to the Company may be adversely affected.

Moreover, the portfolio strategies employed by the Advisor and/or its affiliates in managing Other Clients and JLC could conflict with the strategies employed by the Advisor in managing the Company's business and may adversely affect the marketability, exit strategy, prices and availability of the commercial mortgage loans and other commercial real estate-related assets that the Company originates or acquires. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Company, Other Clients and JLC. In addition, Other Clients and/or JLC may provide compensation (including performed-based compensation) to the Advisor or its affiliates that is different from or in excess of compensation the Advisor is entitled to receive from the Company, which may provide an incentive for the Advisor or its affiliates to allocate certain investments to such Other Clients and/or JLC.

Because JLC's strategy is focused on the securitization and sale of the commercial real estate loans that it originates as opposed to the Company's strategy of holding commercial

mortgage loans and other commercial real estate-related assets for long-term investment, the Company anticipates that JLC will continue to concentrate on loans that are typical for securitization and sale transactions (which the Advisor believes will help to mitigate the potential conflicts of interest set forth directly above).

Further, the Advisor and LoanCore Capital have an investment allocation policy in place that is intended to enable the Company to share investment opportunities equitably with JLC and Other Clients. In general, allocations of investment opportunities (including purchases and sales) will be made first by determining the client(s) (and, as applicable, JLC) for which a particular investment opportunity is appropriate. As between or among those clients and JLC (as applicable), the Advisor, LoanCore Capital and their affiliates will, as determined in good faith, allocate investments in a fair and reasonable manner; provided that, in all cases, investments will be allocated between or among clients and/or JLC based on the following general criteria that include, but are not limited to: the investment objectives and strategies of such clients and/or JLC; the size of the available investment; the time horizon of an investment; diversification considerations; the investment period, if any, of such clients and/or JLC; cash availability and access to capital; the impact on financial covenants, if any; cash flow expectations; risk profiles; the tax implications of an investment; the nature of the opportunity; market conditions; regulatory considerations; and whether a client was recently (e.g., within the prior 6 months) formed and is therefore, still in its “ramp-up” phase.

As indicated above, Other Clients and/or JLC may participate in some of the Company’s investments, in certain cases at a more junior or senior level in the capital structure of the underlying borrower and related real estate than the Company’s investment. Participating investments will not be the result of arm’s-length negotiations and will involve potential conflicts between the Company’s interests and those of Other Clients and/or JLC in obtaining favorable terms. In addition, the same Advisor personnel may determine the price and terms for the investments for both the Company and Other Clients and/or JLC, and there can be no assurance that the consideration the Company is required to pay for these investments will not exceed their fair market value or that the terms the Company receives for a particular investment will be as favorable as those available from an independent third party. The Company’s interests in such investments may also conflict with the interests of Other Clients and/or JLC in the event of a default or restructuring of the investment.

Under the Management Agreement, if in the future the Company co-invests or otherwise participates in an investment with (including if the Company participates at a more junior or senior level in the capital structure of an underlying borrower), purchases assets from, sells assets to, obtains financing from, or provides financing to, Other Clients or JLC, any such transaction must be approved by a majority of the Company’s independent directors or a committee of the Company’s board of directors comprised solely of independent directors. To the extent the Company co-invests or otherwise participates in an investment with an Other Clients or JLC, (1) any joint expenses will generally be allocated to the participating entities *pro rata* (based on capital committed to the investment) (unless otherwise agreed by the participating entities) and (2) the Company will not be responsible

for any fees payable to the Advisor and/or its affiliates other than to the Advisor as set forth in the Management Agreement unless approved by a majority of the Company's independent directors or a committee of the Company's board of directors comprised solely of independent directors. There can be no assurance that any procedural protections will be sufficient to ensure that any of these transactions will be made on terms that will be at least as favorable to the Company as those that would have been obtained in an arm's-length transaction.

By virtue of their voting power, the rights of affiliates of Jefferies Group and GIC to nominate members to the Company's board of directors, as well as the respective rights of their board designee(s) (if all applicable requirements are satisfied) to be member(s) of the Company's board committees and the GIC affiliate's preemptive right to purchase additional shares of the Company's common stock in certain future offerings, these stockholders will have the power to significantly influence the Company's business and affairs and will be able to influence the outcome of matters required to be submitted to stockholders for approval, including the election of the Company's directors, amendments to its charter and mergers or sales of assets. The influence exerted by these stockholders over the Company's business and affairs might not be consistent with the interests of some or all of its other stockholders. In addition, this concentration of ownership may have the effect of delaying or preventing a change in control of the Company, including transactions that would be in the best interests of its stockholders and would result in receipt of a premium to the price of its common stock, and might negatively affect the market price of its common stock.

Further, the Advisor may be incentivized to favor GIC and the Jefferies Group (and their affiliates) in order to benefit itself (to the detriment of the Company). For example, in order to maintain the Advisor's business relationship with Jefferies Group, the Advisor may retain an affiliate of Jefferies Group to provide services to the Company instead of other more qualified and less expensive service providers. (Jefferies LLC is serving as an underwriter for the public offering of the Company's securities.) The Advisor believes that this potential conflict of interest is mitigated by the fact that affiliates of Jefferies Group and GIC will have significant ownership interests in the Company.

In addition to the fees the Company will be required to pay to the Advisor under the Management Agreement, the Advisor, its personnel and/or its affiliates may benefit from other fees paid to it in respect of the Company's investments. For example, DivCore Advisors is the collateral manager of the LoanCore CLO, although it has waived, and has agreed to continue to waive, its entitlement to the collateral management fee otherwise payable to it for as long as the Company is managed by the Advisor. In the event the Company seeks to securitize additional loans in the future, the Advisor and/or its affiliates may act as collateral manager. The Advisor may also, on behalf of the Company, retain affiliates and entities in which the Advisor or its personnel has an interest (for example, DivCore Advisors or its affiliates) to provide additional services, such as back office services, to the Company. The use of those persons in connection with these services raises potential conflicts of interest in that there may be an incentive for the Advisor to favor it, its affiliates and persons in which it or its personnel has an interest over more qualified

service providers or to agree to pay fees that are higher than the fees charged for comparable services. Other than as indicated, in these and other capacities, the Advisor and/or its affiliates may receive fees from the Company for their roles, but only if approved by a majority of the Company's independent directors or a committee of the Company's board of directors comprised solely of independent directors.

Although the Advisor's code of business conduct and ethics will contain a conflicts of interest policy that prohibits its directors, officers and employees (if any), as well as the Advisor and its affiliates and their employees who provide services to Company, from engaging in any transaction that involves an actual conflict of interest with the Company without the approval of a majority of its independent directors or a committee of its board of directors comprised solely of independent directors, the Company does not have a policy that expressly prohibits its directors, officers, employees (if any), security holders or affiliates from engaging for their own account in business activities of the types conducted by the Company. In addition, except as indicated above, the Management Agreement does not prevent the Advisor or its affiliates from engaging in additional management or investment opportunities, some of which could compete with the Company.

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

##### **Code of Ethics**

The Advisor has adopted a Code of Ethics, which holds its employees to a high standard of integrity and business practice, in compliance with applicable U.S. regulations. In managing the Company, the Advisor strives to avoid conflicts of interest or the appearance of conflicts in connection with the securities transactions of the Advisor and its personnel. The Advisor and its personnel owe the Advisor's clients a duty of honesty, good faith and fair dealing and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide it.

The Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports and initial and annual securities holdings reports submitted by all of the Advisor's access persons. The Code of Ethics requires the prior approval or prohibition of certain securities transactions. It also contains oversight, enforcement, and recordkeeping provisions. The Advisor designed the Code of Ethics to ensure that the personal securities transactions, activities, and interests of its personnel will not interfere with (1) making decisions in the best interest of its clients and (2) implementing such decisions while, at the same time, allowing personnel to invest for their own accounts. The Code of Ethics further includes the Advisor's policy prohibiting the use of material non-public information. A copy of the Advisor's Code of Ethics is available to its clients and prospective clients via the Advisor's Chief Compliance Officer.

##### **Participation or Interest in Client Transactions and Personal Trading**

Advisor personnel may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, and for the accounts of individual and institutional clients. These activities may conflict with Advisor personnel activities on behalf of the Advisor's clients. For example, Advisor personnel may individually or on behalf of clients invest in the same investments in which the Company may invest or trade, and may invest the assets of the Company in an investment while withdrawing (or recommending the withdrawal of) the same investment. These other activities may affect the prices and availability of the securities and other investments in which the Company invests.

The Company's charter provides that, if LoanCore Capital and its affiliates, including the Advisor, or any of the Company's directors or officers who is also an officer, employee or agent of LoanCore Capital and its affiliates, including the Advisor, acquires knowledge of a potential business opportunity, the Company renounce any potential interest or expectancy in, or right to be offered or to participate in, such business opportunity to the maximum extent permitted by Maryland law, unless such opportunity was expressly communicated to a director or officer in his or her capacity as the Company's director or officer. Accordingly, other than with respect to the foregoing exception, (a) none of LoanCore Capital and its affiliates, or any of the Company's directors or officers who is also an officer, employee or agent of LoanCore Capital and its affiliates, is required to present, communicate or offer any business opportunity to the Company and (b) LoanCore Capital, its affiliates and each of the Company's directors and officers who is also an officer, employee or agent of LoanCore Capital and its affiliates, on his or her own behalf or on behalf of LoanCore Capital and its affiliates, has the right to hold and exploit any business opportunity, or to direct, recommend, offer, sell, assign or otherwise transfer such business opportunity to any person or entity other than the Company.

The Company's charter also provides that it has the power to renounce, by resolution of its board of directors, any interest or expectancy in, or in being offered an opportunity to participate in, business opportunities or classes or categories of business opportunities that are (i) presented to the Company or (ii) developed by or presented to one or more of the Company's directors or officers.

In accordance with the anti-fraud provisions of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") and the Advisor's policies and procedures, neither the Advisor nor its "related persons" (as such term has been interpreted by the staff of the U.S. Securities and Exchange Commission under the Advisers Act) will, as a principal, sell a security to, or buy a security from, the Company, without providing appropriate disclosure to and obtaining the prior consent of an appropriate person(s) acting on behalf of the Company prior to the settlement of that transaction (in accordance with Section 206(3) under the Advisers Act).

In accordance with the Advisor's cross trading policy, the Advisor may advise that a security may be sold or bought by the Company to or from another client when it believes,

in its sole discretion, that such a transaction would be advantageous or otherwise beneficial to each of the clients involved.

As noted above in Item 8 and Item 10, the Company will hold its portfolio through LoanCore CLO, and Mr. Finerman owns 20% (and serves on the investment committee) of LoanCore CLO's collateral manager.

As part of the Transactions, the Company will use a portion of the net proceeds from its initial public offering to repurchase all of its outstanding subordinate debt and shares of its common stock held by the Predecessor Entity. Mr. Finerman, who will serve as the Company's chairman, chief executive officer and president, owns an indirect 50% interest in the Predecessor Entity's general partner, which itself has a 2% interest in the Predecessor Entity, and Jordan Bock, who will serve as the Company's chief investment officer, holds a share of the profits interest that the general partner is entitled to receive from the Predecessor Entity. An affiliate of GIC owns a 45% limited partnership interest in the Predecessor Entity.

The Company will also use a portion of the net proceeds from its initial public offering and concurrent private offerings and borrowed funds to acquire assets from JLC. A Jefferies Group affiliate has a 48.5% preferred interest and a 39.8% common interest in JLC, an affiliate of GIC has a 48.5% preferred interest and a 43.3% common interest in JLC, Mr. Finerman (individually and through an entity owned by Mr. Finerman) has a 1.7% preferred interest and common interest in JLC and Mr. McCormack, who will serve as the Company's chief financial officer, has a 0.3% preferred interest and common interest in JLC.

In recommending these transactions to the Company, the Advisor may be incentivized to consider its own financial interests in the transactions over the interests of the Company. Further, these purchase agreements will not be negotiated on an arm's-length basis and the requisite consideration, selection of the assets comprising the JLC portfolio and other terms contained therein may not be as favorable to the Company as if they each had been negotiated between unaffiliated third parties. The Company will not obtain any independent third-party appraisals of either the Company's existing portfolio or the JLC portfolio. As a result, the consideration the Company will be required to pay to the Predecessor Entity or JLC, as the case may be, may exceed the fair market value of the Company's existing portfolio or the JLC portfolio, as the case may be. In addition, the Company and the Advisor may also choose not to enforce, or to enforce less vigorously, the Company's rights under the purchase agreements with these parties because of their desire to maintain their ongoing relationships with these parties, particularly JLC, GIC and Jefferies Group.

The audit committee of the Company's board of directors is charged with reviewing for approval or ratification all transactions between the Company and any affiliated or related person, regardless of amount, including any "related person transaction," which is any transaction or series of transactions in which the Company or any of its subsidiaries is or are to be a participant, the amount involved exceeds \$120,000, and a "related person" (as defined under Item 404 of Regulation S-K under the Securities Act of 1933, as amended)

has a direct or indirect material interest. In determining whether to approve or ratify a transaction, the audit committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

## **Item 12 – Brokerage Practices**

### **Selection of Brokers**

From time to time, the Advisor may use brokers or other intermediaries to facilitate the Company's purchase or sale of an investment. The Advisor will have the authority to determine without client consultation or consent the broker or other intermediary through which the Company purchases or sells investments, and the compensation at which such transactions are effected.

In selecting brokers or other intermediaries to provide services in connection with portfolio transactions, the Advisor's policy is to seek the best execution on an overall basis, which means that it seeks to ensure that the client's total cost or proceeds is the most favorable under the circumstances. Accordingly, transactions will not always be effected at the best price or the lowest available compensation.

The Advisor does not adhere to any rigid formulas in making its selection of brokers or other intermediaries to assist with transactions on behalf of its client, but weighs a combination of factors or criteria. For example, the determination of what is expected to result in best execution on an overall basis involves a number of factors, including:

- reliability;
- reputation;
- industry knowledge and expertise;
- ability to provide access to borrowers;
- financial stability;
- efficiency;
- ability to keep activities confidential;
- provision of products and services;
- idea generation;
- competitive compensation; and

- general responsiveness.

The Advisor does not consider, in selecting or recommending brokers or other intermediaries, whether it or a related person receives limited partner referrals from such persons. The Advisor does not enter into directed brokerage arrangements.

### **Aggregation of Trades**

In the case that the Advisor executes trades on behalf of multiple clients, and if investment decisions are made contemporaneously for multiple clients in the same investment, the Advisor may, if consistent with applicable law, bunch or aggregate client orders (including orders for clients in which the Advisor's personnel have beneficial interests) for execution. These bunched or aggregated orders might facilitate execution and may reduce brokerage and other costs. The Advisor, however, is not required to bunch or aggregate orders if investment decisions are not made contemporaneously, if the Advisor determines that it would be consistent with its duties or the interests of its clients not to do so, or if bunching or aggregating is not practical operationally or otherwise.

Although it is anticipated that any bunching or aggregation of orders will benefit each client overall, aggregating orders may disadvantage clients, including by resulting in shared allocations of orders or higher execution prices for clients. Alternatively, not aggregating orders may disadvantage clients, including by resulting in higher costs (including higher execution prices) for client orders.

## **Item 13 – Review of Accounts**

### **Frequency and Nature of Review of the Company's Account**

Upon the completion of the Transactions, the Company will be subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) applicable to a company with securities registered pursuant to Section 12 of the Exchange Act. In accordance therewith, the Company will file periodic reports, proxy statements and other information with the SEC. All documents filed with the SEC are available for inspection and copying at the public reference room and [www.sec.gov](http://www.sec.gov). Stockholders will also receive the Company's annual financial statements, which will be audited by an independent public accounting firm (see Item 15 below).

The reports set forth above are written.

The Advisor will, on a quarterly basis: (1) review the Company's investments, in order to assess the performance of each investment and assign a risk rating to each investment; and (2) estimate the loan loss provision based on historical loss experience and expectation of losses inherent in the Company's portfolio.

Following the closing of an investment, the Advisor's dedicated asset management team will monitor and administer the investment on an ongoing basis. The Advisor's asset

management team also monitors the Company's overall inventory and manages portfolio risk through hedging and other strategies.

#### **Item 14 – Client Referrals and Other Compensation**

Neither the Advisor nor its related persons directly or indirectly compensate any person who is not a supervised person for investor or client referrals. The Advisor does not provide compensation to non-supervised persons for the purpose of obtaining clients.

#### **Item 15 – Custody**

To the extent required by applicable law, the Company's securities and funds are held by qualified custodians. As noted in Item 13 above, Company stockholders will receive annual financial statements audited by an independent public accounting firm. Stockholders are urged to carefully review such statements.

#### **Item 16 – Investment Discretion**

As discussed in Item 4 and Item 8 above, the Advisor's exercise of its investment discretion (pursuant to the Management Agreement) is subject to (1) the terms of the Company Documents and (2) the Company's board of directors' supervision and direction.

The Company will enter into agreements, such as investor rights agreement, with certain investors in the Company. These agreements may have the effect of establishing rights under, altering or supplementing the terms of the Company Documents in a manner more favorable to such investors. For example, the Company will enter into investor rights agreements with affiliates of GIC and Jefferies Group that entitle those investors to, among other things, (1) receive a percentage of the base management fee, incentive compensation and, if applicable, the termination fee received by the Advisor from the Company, (2) designate for nomination directors to the Company's board of directors (assuming a minimum threshold of Company ownership by the relevant investor) and (3) receive reimbursement from the Company of their respective expenses associated with the Transactions.

#### **Item 17 – Voting Client Securities**

To the extent proxy voting is part of a particular investment strategy, the Advisor has adopted proxy voting policies and procedures designed to ensure that where its clients have delegated proxy voting authority to the Advisor, all proxies are voted in the best interest of its clients without regard to the interests of Advisor or its related persons. Clients may not direct the Advisor's vote in a particular solicitation. The Advisor's proxy voting policies provide that, in the case of any potential material conflict of interest related to a proxy vote, (1) the Advisor's Chief Compliance Officer will determine the manner in which the proxy will be voted (and may involve client consent) or (2) the proxy will be

voted through a third party proxy service. The Advisor believes that either of these alternatives would serve to address any potential conflict of interest related to the proxy vote between the Advisor and its clients.

Clients may obtain a complete copy of the Advisor's Proxy Voting Policy and Procedures or information on how the Advisor voted proxies for the relevant client free of charge by submitting a written request to the Advisor's Chief Compliance Officer at [cdaly@constellationinvest.com](mailto:cdaly@constellationinvest.com).

#### **Item 18 – Financial Information**

The Advisor is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

#### **Item 19 – Requirements for State-Registered Advisers**

Form ADV Part 2 requires responses to Item 19 if an investment adviser is registered with one or more state securities authorities. This item is not applicable to the Advisor.