

Item 1 – Cover Page

## Form ADV Part 2A Brochure

March 29, 2019

# LoanCore Capital Credit Advisor LLC

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*This brochure, dated March 29, 2019 (“**Brochure**”), provides information about the qualifications, investment strategies, and business practices of LoanCore Capital Credit Advisor 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 [investorrelations@loancore.com](mailto:investorrelations@loancore.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**

This Brochure replaces our previous brochure, dated August 27, 2018. This Brochure reflects that effective March 19, 2019, Marc J. Sternberg has been appointed Chief Compliance Officer.

The Advisor will ensure that its clients receive a copy of its current brochure 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 Capital Credit Advisor LLC (the “**Advisor**”) was founded in 2016 as an asset manager focused exclusively on commercial mortgage loans and other commercial real estate-related assets, and has its principal office and 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. LoanCore Capital Credit Manager LLC (“**LoanCore Manager**”), also a wholly owned subsidiary of LoanCore Capital, was founded in 2016 as a special purpose vehicle, and also has its principal office and place of business in Greenwich, Connecticut.

### Advisory Services

The Advisor serves as an investment adviser to LoanCore Capital Credit REIT LLC (the “**REIT**”), a commercial real estate finance company that primarily originates, invests in and manages commercial mortgage loans and other commercial real estate-related assets. Mr. Finerman, along with other Advisor personnel, serve as executive officers of the REIT and members of the REIT’s credit committee (the “**Credit Committee**”), and Mr. Finerman serves as one of three members of the REIT’s board of managers (the “**Board**”).

LoanCore Capital Credit LP (the “**Feeder Fund**,” and, together with the REIT, the “**Funds**”) owns more than 99% of the REIT. LoanCore Manager serves as manager and director of the REIT and general partner of the Feeder Fund.

Pursuant to a management agreement between the Advisor and the REIT (the “**REIT Management Agreement**”), the Advisor, subject to the overall supervision and control of the Board and LoanCore Manager, acts as the investment adviser to the REIT. As the investment adviser, the Advisor, among other services, identifies, evaluates, structures and makes investment recommendations to LoanCore Manager, and the Board and Credit Committee. The Advisor does not have discretionary authority to make or dispose of investments on behalf of the Feeder Fund or the REIT.

*All descriptions of the Funds in this Brochure, including, but not limited to, their investments, the strategies used in advising the Funds, the risks associated with them, the fees and other costs associated with an investment in the Funds, and conflicts of interest faced by the Advisor in connection with advisement of the Funds are qualified in their entirety by reference to the Fund’s governing documents (collectively, the “**Fund Documents**”). In addition, because the Feeder Fund’s sole investment is an interest in the REIT, references to investment activities of the Funds generally mean indirect investment activities of the Feeder Fund, and direct investment activities of the REIT.*

The Advisor does not participate in wrap fee programs.

### Regulatory Assets Under Management

As of December 31, 2018, the Advisor had approximately \$5,194,171,487 in regulatory assets under management managed on a non-discretionary basis and \$0 in regulatory assets under management managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### **Management Fee**

In exchange for its services, the Advisor will receive a management fee, payable quarterly in advance, equal to 1% per annum of unreturned capital contributions to the REIT. The management fee will be prorated for any quarter for which the Advisor serves as an adviser for less than the full quarter (based on the number of days remaining in the quarter).

The management fee will be deducted from the REIT's assets. The Advisor's management fee is payable regardless of the performance of the REIT's portfolio and is not based upon any performance goals or metrics.

If Mark Finerman is removed as a member of the Board or as Chief Executive Officer of the REIT and the business of the REIT is continued, the REIT Management Agreement will terminate and the REIT will owe the Advisor a termination fee, as described in the Fund Documents.

### **Performance-Based Compensation**

Under the Fund Documents for the Feeder Fund, LoanCore Manager is entitled to receive a certain percentage of any distributions made to limited partners (after a return of capital contributions and payment of a preferred return to limited partners).

The terms of the carried interest distribution to LoanCore Manager could incentivize the Advisor to make decisions regarding the timing and structure of realization transactions that may not be in the best interests of the Funds (and their investors). For example, LoanCore Manager would be in a position to receive carried interest distributions earlier if profitable investments were liquidated prior to investments that were not profitable because, at the time proceeds from those profitable investments were realized, the Funds would generally not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments. Notwithstanding the foregoing, the Fund Documents contain certain mitigating provisions to ensure that investors receive a return of capital plus a preferred return on a rolling basis.

### **Indemnification**

Subject to certain exceptions (for example, gross negligence, intentional misconduct, fraud or a knowing violation of law), the Funds are obligated to indemnify the Advisor, its affiliates, and certain other covered persons from any and all losses, claims, damages, liabilities, expenses, judgments, fines and other amounts paid in settlement, incurred or

suffered by such covered person, arising out of or in connection with the business or the operations of the Funds.

The Funds have also agreed to indemnify certain service providers to the Funds such as brokers, underwriters and counterparties to repurchase agreements.

### **Other Fees and Expenses**

The Funds are required to reimburse the Advisor or its affiliates for costs and expenses incurred by it and its affiliates on the Funds' behalf except those specifically required to be borne by the Advisor under the Fund Documents and the REIT Management Agreement. The Advisor will be responsible for the salaries and other compensation of the personnel of the Advisor and its affiliates.

In accordance with the Fund Documents, the Funds are generally required to bear 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 Funds' investments and investments of the Funds' 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 Funds (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;
- interest and fees and expenses arising out of borrowings made by the Funds, including, but not limited to, costs associated with the establishment and maintenance of any of the Funds' credit facilities, other financing arrangements, or other indebtedness of the Fund (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Funds' securities offerings;
- the Funds' 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 Funds that is used solely for the Funds, technology service providers and related software/hardware utilized in connection with the Funds' investment and operational activities;

- the Funds' allocable share of expenses incurred by managers, officers, personnel and agents of the Advisor for travel on the Funds' 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 Funds' securities offerings;
- the Funds' 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;
- expenses of investor meetings and investor events, including the cost of lodging, tickets, ground transportation, food and beverages;
- expenses (such as food, beverage, lodging, conference tickets, travel expenses (including business class airfare and ground transportation)) associated with attendance of industry conferences;
- the cost and expenses related to gifts and entertainment (such as tickets to sporting events) for the Funds' borrowers, potential business leads and brokers;
- charitable donations (including cash donations and tickets to charitable events) in connection with fundraising sponsored or otherwise supported by the Funds' borrowers;
- the costs and expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations relating to the Funds' activities;
- the costs of any litigation involving the Funds or their 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 Funds' affairs;
- all taxes and license fees;
- all insurance costs incurred in connection with the operation of the Funds' business except for the costs attributable to the insurance that the Advisor elects to carry for itself and its personnel;
- the Funds' allocable share of costs and expenses incurred in contracting with third parties, in whole or in part, on the Funds' behalf;
- all other costs and expenses relating to the Funds' business and investment operations, including, without limitation, the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of investments, including appraisal, due diligence, reporting, audit and legal fees;
- any judgment or settlement of pending or threatened proceedings (whether civil, criminal or otherwise) against the Funds or any subsidiary, or against any director, trustee, partner, member or officer of the Funds or of any subsidiary in his capacity as such for which the

Funds 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 REIT Management Agreement.

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

As described in Item 5 above, LoanCore Manager will receive performance-based compensation from the Feeder Fund.

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

The Advisor and LoanCore Manager do not currently, but may in the future, manage another account for which they do not charge a performance-based fee, or charge different performance-based fees. 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 provides non-discretionary investment advice to the REIT, which is a Delaware limited liability company that operates as a real estate investment trust for U.S. federal income tax purposes, and LoanCore Manager serves as manager and director of the REIT and general partner of the Feeder Fund, which is a Delaware limited liability company.

In general, the Advisor requires that each limited partner in the Funds be an "accredited investor" as defined in Regulation D under the Securities Act of 1933 (the "Securities Act") and, in most cases, a "qualified purchaser" as defined by the Investment Company Act of 1940 (the "**Investment Company Act**").

Investors in the Funds are requested to refer to the Fund Documents of the applicable Fund for complete information on the minimum investment requirement for participation in that Fund. The stated minimum commitment for the Funds is \$1,000.

## **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 uses in formulating advice or managing assets (and related material risks) for the Funds and (2) certain material risks associated with the types of securities that the Advisor primarily recommends to the Funds.*



*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 Funds are urged to review all risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures 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 Funds 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**") prepares an initial loan sizing, receive initial approval on proposed loan terms and structure from the Funds' management, receives preliminary pricing from the Funds' management, and, assuming the potential investment generally meets the Funds' credit and investment criteria, drafts a preliminary quote sheet for issuance to the borrower. In addition, the Deal Team submits property characteristics and preliminary loan terms and structure to the Funds' management for approval to issue a formal conditional commitment. The Deal Team then contacts 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 confirms 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 commences full due diligence. Concurrently with the due diligence process, the Deal Team structures the proposed investment and prepare a memorandum for the Credit Committee.

The Funds' investments are generally originated or acquired in accordance with specific underwriting criteria as set forth in the Fund Documents. However, variations from these guidelines may be implemented as a result of various conditions. The credit underwriting process for each investment is performed by the local originator and his or her deal team. This team is required to conduct a thorough review of the underlying property, which typically includes 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 is 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 Funds, also performs 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 also includes 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 finalizes its detailed underwriting analysis of the property's cash flow in accordance with the Funds' 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, nearly all of the Funds' loans require borrowers to purchase LIBOR caps to hedge against rising interest rates. As part of the underwriting process, the Advisor typically obtains property assessments and reports.

Following the completion of due diligence, the Deal Team prepares a memorandum summarizing its due diligence findings and presents it to the Credit Committee. The Credit Committee reviews, 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 advice is based on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments.

The Credit Committee evaluates 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 REIT's qualification as a real estate investment trust and its exclusion from registration under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"); (9) general compliance with the Funds' underwriting guidelines and procedures; and (10) compliance with the Fund's investment guidelines. Investment approval requires majority approval by members of the Credit Committee.

The Funds 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 Funds generally intend to hold for long-term investment. The Advisor builds upon the Funds' competitive strengths to grow its business through the following investment strategies:

- *Capitalize on Demand for Commercial Real Estate Financing.* The Advisor seeks 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 expected demand from borrowers for new financing in the commercial real estate sector.
- *Originate and Selectively Acquire Additional Commercial Mortgage Loans and Other Commercial Real Estate-Related Assets.* The Advisor seeks to grow the Funds' lending business by continuing to originate and selectively acquire additional commercial mortgage loans and other commercial real estate-related assets, which the Funds generally hold for long-term investment. Under current market conditions, the Advisor focuses the Funds' 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 focuses 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 Funds 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 Funds believe generate substantial deal flow for their business. The Advisor seeks to build upon these relationships to capitalize on current market opportunities in order to grow the Funds' business. As market conditions evolve over time, the Funds expect that the Advisor will advise the Funds to adjust and evolve their investment strategies to adapt to such market changes. The Funds believe that their current target assets provide significant investment opportunities for attractive returns. However, the Advisor may focus on and target investment opportunities that are most attractive for the Funds at the particular stage in the economic and real estate investment cycle at a given time.

The Funds finance their 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 Funds may also issue additional equity, equity-related and debt securities to fund their investment strategies.

Subject to maintaining the REIT's qualification as a real estate investment trust, the Funds 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 Funds' operating results and cash flows.

## **Target Assets**

The Funds 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 Funds 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 originating and selectively acquiring commercial mortgage loans is the Funds' primary area of focus, they also opportunistically originate and selectively acquire other commercial real estate-related assets, subject to the REIT maintaining its qualification as a real estate investment trust, 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 Funds 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 REIT's qualification as a real estate investment fund for U.S. federal income tax purposes or its exclusion from regulation under the Investment Company Act.

Certain of the Funds' investments have been, and may in the future be, acquired from "LCM" (an entity advised by an affiliate of the Advisor, as described further in Item 10), as disclosed to Fund investors in the Fund Documents.

### **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 Funds*

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 Funds' return from an affected property or investment, which could materially and adversely affect the Funds. 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 Funds, the Funds 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 Funds' ability to generate income on its investments, which could materially and adversely affect the Funds*

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

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

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

Prepayment rates may adversely affect the value of the Funds' investment portfolio. Prepayment rates on the Funds' 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 Funds' control. The Funds 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 Funds 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 Funds 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 Funds would not have the prepayment proceeds available to invest in comparable assets at higher yields. Furthermore, the Funds may acquire assets at a discount or premium and the Funds' anticipated yield would be impacted if such assets prepay more quickly than anticipated. Under certain interest rate and prepayment scenarios, the Funds may fail to recoup fully their cost of certain investments. In a limited number of investments, the Funds may be entitled to fees upon their prepayment although no assurance can be given that such fees will adequately compensate them as the functional equivalent of a "make whole" payment. Furthermore, the Funds 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 Funds' investment portfolio may be concentrated by region, and may be concentrated by asset or property type, increasing the Funds' risk of loss if there are adverse developments or greater risks affecting the particular concentration*

The Funds' 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 Funds' 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 Funds' 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 Funds.

*A lack of liquidity in certain of the Funds' investments may materially and adversely affect the Fund*

A lack of liquidity in certain of the Funds' investments may make it difficult for it to sell such assets if the need or desire arises. Certain investments that the Funds make or may 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 Funds' investments may become less liquid after the Funds' investment as a result of periods of delinquencies or defaults or turbulent market conditions, which may make it more difficult for the Funds to dispose of such investments at advantageous times or in a timely manner. Moreover, many of the Funds' investments are not 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 Funds' investments are or will be illiquid, and if the Funds are required to liquidate all or a portion of their portfolio quickly, for example as a result of margin calls, it may realize significantly less than the value at which the Funds had previously recorded their investments.

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

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 Funds, they 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 Funds. 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 Funds' origination or acquisition of construction loans expose them to an increased risk of loss*

The Funds originate or acquire construction loans. If the Funds fail to fund their entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: 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 Funds 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 Funds may incur significant expense if they foreclose 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 Funds originate or acquire could materially and adversely affect them*

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 Funds, which could materially and adversely affect the Funds.

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

The Funds intend to 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 Funds may incur significant losses.

With respect to the CMBS, CLOs and CDOs in which the Funds intend to 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 Funds 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 Funds’ interests.

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

The Funds 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 Funds will bear the risk that they may not recover some or all of their initial expenditure.

In addition, borrowers usually use the proceeds of a long-term mortgage loan to repay an interim loan. The Funds 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 Funds, they 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 Funds may finance first mortgage loans, which may present greater risks than if they had made first mortgages directly to owners of real estate collateral*

The Funds' 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 Funds 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 Funds of such an event, which would adversely affect the Funds' ability to enforce their rights. In addition, in the event of the bankruptcy of the borrower under the first mortgage loan, the Funds 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 Funds' first mortgage loan financing. Accordingly, the Funds may face greater risks from their first mortgage loan financings than if they 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 Funds' investments may not conform to conventional loan standards applied by traditional lenders. In addition, certain of the investments in the Funds' portfolio upon the completion of their offering are not, and the Funds' 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 Funds incur may be significant and may materially and adversely affect the Funds. The Funds' investment guidelines do not limit the percentage of unrated or non-investment grade rated assets the Funds may hold in their portfolio.

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

Some of the Funds' 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, Morningstar Credit Ratings, LLC or Kroll, Inc. Any credit ratings on the Funds' investments are subject to ongoing evaluation by credit rating agencies, and the Funds 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 Funds' investments in the future, the value and liquidity of the Funds' investments could significantly decline, which would adversely affect the value of the Funds' investment portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to the Funds.

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

Subject to maintaining the REIT's qualification as a real estate investment trust, the Funds 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 Funds 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 Funds 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 Funds may conduct their transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses. Derivative instruments that may be purchased or sold by the Funds 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 Funds 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 Funds 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 their investment objectives and legally permissible. Any such investments may expose the Funds to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and/or the Funds determine to make such an investment.

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

While the Funds currently focus primarily on performing investments, they may also make distressed investments (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or certain of their investments may become non-performing following the Funds' acquisition thereof. Certain of the Funds' 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 Funds' investments), the success of the Funds' investment strategies with respect thereto will depend, in part, on the Funds' ability to effectuate loan modifications and/or restructure and improve the operations of the Funds' 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 Funds will be able to identify and implement successful restructuring programs and improvements with respect to any distressed investments they 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 Funds may incur substantial or total losses on their investments and, in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of the Funds' 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 Funds' investments, the Funds may lose their entire investment, may be required to accept cash or securities with a value less than the Funds' 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 Funds 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 Funds' 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 Funds.

*The Funds may need to foreclose on certain of the loans they originate or acquire, which could result in losses that materially and adversely affect the Funds*

The Funds may find it necessary or desirable to foreclose on certain of the loans they originate or acquire, and the foreclosure process may be lengthy and expensive. Whether or not the Funds have participated in the negotiation of the terms of any such loans, they 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 Funds' rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the Funds, 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 Funds are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover the Funds' cost basis in the loan, resulting in a loss to the Funds. 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 Funds.

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

A decline in the fair value of investments the Funds may make in securities, such as CMBS, may require the Funds to recognize an "other-than-temporary" impairment against such assets under GAAP if the Funds were to determine that, with respect to any assets in unrealized loss positions, they do 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 Funds 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 Funds' 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 Funds experience a decline in the fair value of their investments, it could materially and adversely affect the Funds.

*Insurance proceeds on a property may not cover all losses, which could result in the corresponding non-performance of or loss on the Funds' 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 Funds' investments might not be adequate to restore the Funds' economic position with respect to their investment. Any uninsured loss could result in the corresponding non-performance of or loss on the Funds' investment related to such property.

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

To the extent the Funds foreclose on properties underlying their investments, the Funds 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 Funds foreclose on any properties underlying their investments, the presence of hazardous substances on a property may adversely affect the Funds' ability to sell the property and the Funds may incur substantial remediation costs. As a result, the discovery of material environmental liabilities attached to such properties could materially and adversely affect the Funds.

*The Funds may be subject to lender liability claims, and if the Funds are held liable under such claims, they 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 Funds cannot assure prospective investors that such claims will not arise or that they will not be subject to significant liability and losses if a claim of this type were to arise.

*The Funds' use of leverage may create a mismatch with the duration and index of the investments that the Funds are financing*

The Funds generally structure their leverage such that they minimize the difference between the term of their investments and the leverage they use to finance such an investment. In the event that the Funds' leverage is for a shorter term than the financed investment, they may not be able to extend or find appropriate replacement leverage and that would have an adverse impact on the Funds' liquidity and its returns. In the event that the Funds' leverage is for a longer term than the financed investment, they 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 Funds' desired leveraged returns.

The Funds attempt to structure their leverage such that they minimizes the difference between the index of their investments and the index of their 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 Funds from their lenders on reasonable terms, the Funds may use hedging instruments to effectively create such a match. For example, in the case of future fixed rate investments, the Funds 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 Funds' attempts to mitigate such risk are subject to factors outside their control, such as the availability to them 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 Funds' investments, while the Funds' liabilities have set maturity dates.

*Qualifying as a real estate investment trust involves highly technical and complex provisions of the Internal Revenue Code*

Qualification as a real estate investment trust 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 REIT's real estate investment trust qualification. The REIT's qualification as a real estate investment trust depends on its satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, the REIT's ability to satisfy the requirements to qualify as a real estate investment trust depends in part on the actions of third parties over which it has no control or only limited influence, including in cases where the REIT 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 Funds, 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 institutional investor ("**Investor A**"). An affiliate of Investor A is also an investor in the Feeder Fund.

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 Investor A, 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.

LoanCore Capital Markets LLC ("**LCM**"), an entity that focuses on originating and then securitizing commercial real estate loans, is a joint venture among affiliates of each of a subsidiary of a large pension fund ("**Investor B**") and Investor A, as well as certain members of the Advisor's senior management team. Mr. Finerman serves on LCM's board of managers and Mr. Finerman and Christopher McCormack each have an ownership interest in LCM<sup>2</sup>.

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

Mr. Finerman and Mr. McCormack each has an employment agreement with LCM, the terms of which will require such officer to devote substantially all of his business time collectively to the management of LCM and LoanCore Capital's asset management business, including any business conducted by the Funds, provided that such officer devotes sufficient business time reasonably necessary to implement LCM's annual business plan. The Fund Documents also contain commitment requirements for Mr. Finerman (in terms of his time commitment to the Funds and LCM).

The Advisor currently does not have more than one client<sup>3</sup>. However, as noted above in this Item 10, its affiliate Yellow Brick MM, advises the Yellow Brick Fund, its affiliate LoanCore HY advises a LoanCore Separate Account and personnel of the Advisor participate in the LCM joint venture. At this time, LCM is the only other investment vehicle with which the

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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 2.6% preferred interest in LCM and Mr. McCormack has a 0.3% preferred interest in LCM. Mr. Finerman also owns 80.8% of the Class B Common Units of LCM.

<sup>3</sup> Because the Feeder Fund invests solely through the REIT, the Feeder Fund and the REIT are referenced as "one client" for purposes of this Item 10.

Advisor or its personnel is actively involved (besides the Funds) that is currently seeking new investments (excluding follow-on investments); the investment periods for the Other Clients have expired. To the extent LCM or Other Clients seek to acquire the Funds' target assets, the number and scope of investment opportunities otherwise available to the Funds may be adversely affected.

Moreover, the portfolio strategies employed by the Advisor and/or its affiliates in managing Other Clients and LCM could conflict with the strategies employed by the Advisor in managing the Funds' 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 Funds originate or acquire. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Funds, Other Clients and LCM. In addition, Other Clients and/or LCM 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 Funds, which may provide an incentive for the Advisor or its affiliates to allocate certain investments to such Other Clients and/or LCM. However, under the Fund Documents, subject to certain exclusions, including in respect of any opportunity presented to or for LCM or its subsidiaries, where consistent with the Funds' business, during the Feeder Fund's commitment period, LoanCore Manager and Mark Finerman are required to offer all investment opportunities developed or received by it or him to the REIT.

Because LCM's strategy is focused on the securitization and sale of the commercial real estate loans that it originates as opposed to the Funds' strategy of holding commercial mortgage loans and other commercial real estate-related assets for long-term investment, the Funds anticipate that LCM 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 Funds to share investment opportunities equitably with LCM and Other Clients. In general, subject to requirements in the Fund Documents, allocations of investment opportunities (including purchases and sales) will be made first by determining the client(s) (and, as applicable, LCM) for which a particular investment opportunity is appropriate. As between or among those clients and LCM (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 LCM based on the following general criteria that include, but are not limited to: the investment objectives and strategies of such clients and/or LCM; the size of the available investment; the time horizon of an investment; diversification considerations; the investment period, if any, of such clients and/or LCM; 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 LCM may participate in some of the Funds' 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 Funds' investment. Participating investments will not be the result of arm's-length negotiations and will involve potential conflicts between the Funds' interests and those of Other Clients and/or LCM in obtaining favorable terms. In addition, the same Advisor personnel may determine the price and terms for the investments for both the Funds and Other Clients and/or LCM, and there can be no assurance that the consideration the Funds are required to pay for these investments will not exceed their fair market value or that the terms the Funds receive for a particular investment will be as favorable as those available from an independent third party. The Funds' interests in such investments may also conflict with the interests of Other Clients and/or LCM in the event of a default or restructuring of the investment.

As stated in Item 8, certain of the Funds' investments have been, and may in the future be, acquired from LCM. The Fund Documents permit the REIT to acquire certain investments on terms the Board (which includes representatives of Investor A and Investor B) determines unanimously to be commercially reasonable.

To the extent the Funds co-invest or otherwise participate in an investment with an Other Clients or LCM, (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 Funds 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 Fund Documents. 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 Funds as those that would have been obtained in an arm's-length transaction.

By virtue of their voting power, the rights of Investor A and Investor B to nominate members to the Board, as well as the respective rights of their Board designee(s) (if all applicable requirements are satisfied) to be member(s) of the Board committees, these investors will have the power to significantly influence the Funds' business and affairs. Further, the Advisor may be incentivized to favor Investor A and Investor B (and their affiliates) in order to benefit itself (to the detriment of the Funds).

In addition to the fees the Funds will be required to pay to the Advisor under the REIT Management Agreement, the Advisor, its personnel and/or its affiliates may benefit from other fees paid to it in respect of the Funds' investments. For example, in the event the Funds seek to securitize loans in the future, the Advisor and/or its affiliates may act as collateral manager. 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.

Although the Advisor's code of business conduct and ethics contain a conflicts of interest policy that, subject to the applicable Funds' documentation, prohibits its directors, officers and employees (if any), as well as the Advisor and its affiliates and their employees who provide services to Funds, from engaging in any transaction that is determined by the Advisor to involve an actual conflict of interest with the Funds without the approval of a majority of the Board, the Advisor 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 Funds. In addition, except as indicated above, the Fund Documents do not prevent the Advisor or its affiliates from engaging in additional management or investment opportunities, some of which could compete with the Funds.

One mitigating factor that helps to eliminate a conflict of interest between the Funds and LCM is the common ownership by Investor A and Investor B. Investor A owns 49.48% of the Feeder Fund and 48.0% of LCM. Investor B owns 49.48% of the Feeder Fund and 48.0% of LCM.

One of the Advisor's principals has a minority interest in Divco West Real Estate Services, LLC ("**Divco**") (which is also registered as an investment adviser with the SEC<sup>4</sup>). From time to time, the Funds could originate a loan to Divco (or its clients or their subsidiaries).

## **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-

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<sup>4</sup> SEC registration number 801-74082.

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 have, and may in the future, individually or on behalf of Other Clients (or in connection with LCM), invest in the same types of investments in which the Funds may invest or trade, and may invest the assets of the Funds 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 Funds invest.

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 Funds, without providing appropriate disclosure to and obtaining the prior consent of an appropriate person(s) acting on behalf of the Funds 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 Funds 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.

## **Item 12 – Brokerage Practices**

### **Selection of Brokers**

From time to time, the Advisor may use brokers or other intermediaries to facilitate the Funds' 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 Funds purchase or sells investment, 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**

The REIT investors receive annual financial statements of the Feeder Fund (as described below), which fully consolidate the REIT.

Feeder Fund investors receive quarterly financial reports, as well as, within 75 days after the end of each fiscal year of the Feeder Fund, the Feeder Fund's annual financial statements (which will be audited by an independent public accounting firm in accordance with GAAP (see Item 15 below)). Feeder Fund investors also receive investment activity and performance reports on a quarterly and annual basis.

The reports set forth above are written.

The Advisor will, on a quarterly basis: (1) review the Funds' investments, in order to assess the performance of each investment; and (2) estimate the loan loss provision based on historical loss experience and expectation of losses inherent in the Funds' 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 Funds' 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 Funds' securities and funds are held by qualified custodians. As noted in Item 13 above, the Funds' investors will receive annual financial statements audited by an independent public accounting firm. Investors are urged to carefully review such statements.

The Funds are a pooled investment vehicle, and custody of such Funds' assets are maintained in compliance with applicable rules and regulations set forth in the Advisers Act. Where required, cash and securities are maintained at a financial institution meeting the definition of qualified custodian under the Advisers Act. Most Funds' investments are in uncertificated form. In addition, the consolidated financial statements of the Funds are audited by a nationally-recognized Public Company Accounting Oversight Board (PCAOB)-registered independent auditor and the Fund Documents of the Funds require the financial statements to be distributed to investors within 120 days of the applicable fiscal year-end.

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

As discussed in Item 4 and Item 8 above, the Advisor does not have discretion with respect to the Funds. Investments by the REIT may not be funded without the approval of the Credit Committee or Investor A and Investor B.

#### **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 [investorrelations@loancore.com](mailto:investorrelations@loancore.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.