



# RM ADVISER, LLC

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Part 2A of Form ADV: Firm Brochure

This brochure provides information about the qualifications and business practices of RM Adviser, LLC (“**RM Adviser**”). If you have any questions about the contents of this brochure, please contact us at [RMAdviser@realtymogul.com](mailto:RMAdviser@realtymogul.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about RM Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

RM Adviser is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training.

**Item 2:           Material Changes**

Since filing our last annual amendment update, dated March 2019, we have updated this brochure to reflect the addition of Single Purpose Funds/Sponsor Entities as a new type of client under the discretionary management of RM Adviser.

**Item 3: Table of Contents**

Item 2:	Material Changes.....	2
Item 3:	Table of Contents .....	3
Item 4:	Advisory Business .....	4
Item 5:	Fees and Compensation .....	6
Item 6:	Performance-Based Fees and Side-By-Side Management .....	9
Item 7:	Types of Clients.....	9
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9:	Disciplinary Information .....	21
Item 10:	Other Financial Industry Activities and Affiliations .....	21
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	
26 Item 12:	Brokerage Practices .....	29
Item 13:	Review of Accounts.....	31
Item 14:	Client Referrals and Other Compensation .....	32
Item 15:	Custody .....	32
Item 16:	Investment Discretion.....	32
Item 17:	Voting Client Securities .....	32
Item 18:	Financial Information .....	33

#### **Item 4:           Advisory Business**

##### Advisory Firm Description

RM Adviser, LLC (“**RM Adviser**”), a Delaware limited liability company formed in 2016, is a wholly-owned subsidiary of Realty Mogul, Co., a Delaware corporation (“**Realty Mogul**”). Realty Mogul was incorporated in May 2012 and, directly and through its subsidiaries, operates a real estate investment platform offering a variety of real estate related investments at [www.realtymogul.com](http://www.realtymogul.com) (the “**Platform**”).

Canaan IX, LP owns more than 25% of Realty Mogul and therefore owns more than 25% of RM Adviser due to RM Adviser being a wholly-owned subsidiary of Realty Mogul.

##### Types of Advisory Services

Starting as of the effective date of its registration with the Securities and Exchange Commission (“**SEC**”), RM Adviser provided two main types of investment advisory services: (1) non-discretionary services provided through an interactive, web-based investment calculator (“**Investment Calculator**”) available to registered members of the Platform, and (2) discretionary management of affiliated real estate investment trusts MogulREIT I, LLC (“**MR I**”) and MogulREIT II, Inc. (“**MR II**”) (collectively, the “**REITs**”). In May 2019, RM Adviser began providing discretionary management of certain special purpose vehicles that each invest in one company whose primary business is to own and renovate and/or operate one or more specified commercial real estate projects (“**Single Purpose Funds**”). Hereinafter, the respective company in which a Single Purpose Fund advised by RM Adviser invests in will be referred to as “**Sponsor Entity**.” Sponsor Entities are also managed by RM Adviser.

##### *Interactive Investment Calculator*

RM Adviser provides advisory services to investors on the Platform through the Investment Calculator, which is available on a portion of the Platform located at [www.realtymogul.com/adviser](http://www.realtymogul.com/adviser). Through the Investment Calculator, RM Adviser provides investors on the Platform with a recommended proportion of real estate assets to be included in their investment portfolios. This is accomplished by having an investor manually input its portfolio (which may consist of stocks, bonds, real estate, cash, and other asset classes) into an online calculator. The investor also provides information on his or her desired investment objectives, desired exposure to volatility, liquidity preferences, and other investment preferences. The algorithm used by the Investment Calculator then computes a target real estate investment allocation and potential types of real estate investments that could be made within that target allocation, focusing on categories of real estate related investments that are available through the Platform (e.g., equity investments, including the REITs, debt investments, etc.). The Investment Calculator also suggests target holding periods for real estate investments, particular strategies for those investments (such as income versus capital appreciation), and target asset classes (for example, retail, office, multi-family or industrial real estate, which have different risk profiles). Clients may not impose any additional restrictions on the investments recommended by the Investment Calculator, except to the extent facilitated through their inputs described above.

A link provided at the bottom of the results page provides investors the opportunity to browse available real estate investments on the Platform. These investments include (i) equity interests in Single Purpose Funds managed by RM Adviser or RM Manager, LLC (“**RM Manager**”), an affiliate of RM Adviser, and (ii)

equity interests in the REITs managed by RM Adviser, described in more detail below. Only investors who are accredited investors (as defined in Regulation D under the Securities Act of 1933 (the “**Securities Act**” and “**Regulation D**”) have access to Single Purpose Funds or other investment opportunities offered as private placements pursuant to Regulation D. Although investors who use the Investment Calculator can follow the advice provided by investing off the Platform, the recommendations are limited to the types of real estate-related investments available on the Platform.

The fact that we only recommend investments managed by RM Adviser or RM Manager, is a conflict of interest. You are not obligated to invest in recommended investments and will be solely responsible for making any decision on whether to invest in an RM Adviser or RM Manager managed product.

Because our recommendation that investors invest in RM Adviser or RM Manager managed products, there is an inherent conflict of interest that cannot be completely overcome, we strongly encourage all investors consult with legal counsel, an accountant, a third-party investment adviser not affiliated with RM Adviser, or any other financial professional of the investor’s choosing who is not affiliated with RM Adviser or an RM Adviser affiliated company for a “second opinion” before investing in RM Adviser or RM Manager managed product.

#### *Management of the REITs*

RM Adviser manages the REITs. The REITs are sponsored by an affiliate of RM Adviser, RM Sponsor, LLC (“the “**Sponsor**”), another wholly-owned subsidiary of Realty Mogul. RM Adviser anticipates providing advice on a discretionary basis in the future to additional real estate investment trusts (“**REITs**”) and other pooled investment vehicles investing in real estate and real estate-related assets, which will also be sponsored by Sponsor, but which can be materially different from the REITs in their investment objectives, legal and economic structures, and fees paid to RM Adviser and its affiliates. Prior to the launch of any such additional Fund, RM Adviser will amend this Form ADV.

#### *Management of MR I*

RM Adviser’s advice to MR I is limited to real estate or real estate-related investments (typically in the commercial real estate sector) such as direct investments in real estate, first priority mortgage loans, subordinated mortgage loans (also referred to as B Notes), mezzanine debt, participations, and preferred equity and joint venture equity interests in companies whose primary business is to own and renovate or operate one or more specified commercial real estate projects; offering services, asset management services, marketing and advertising services, accounting and other administrative services, stockholder services, financing services, and disposition services, among others. To a limited extent, RM Adviser can advise MR I to invest available cash in liquid securities from time to time in order to minimize cash drag where sufficient funds or more typical investment opportunities are not then available.

#### *Management of MR II*

RM Adviser’s advice to MR II is limited to providing investment advisory and acquisition services (including directly acquiring property and or performing due diligence on MR II’s investments including preferred equity and joint venture equity interests in companies whose primary business is to own

and renovate or operate one or more specified commercial real estate projects), offering services, asset management services, marketing and advertising services, accounting and other administrative services, stockholder services, financing services, and disposition services, among others. In addition, RM Adviser makes all the decisions regarding the selection, negotiation, financing and disposition of MR II's investments, subject to the limitations in a management agreement by and between RM Adviser and MR II.

#### *Management of Single Purpose Funds/Sponsor Entities*

RM Adviser's advice to the Single Purpose Funds/Sponsor Entities is limited to investment advisory (typically real estate-related investments) and asset management services, accounting and other administrative services, among others. In addition, RM Adviser makes all the decisions regarding the selection, negotiation, acquisition, financing and disposition of the investments of Single Purpose Funds/Sponsor Entities, subject to the limitations in the respective operating agreement by and between RM Adviser and the Single Purpose Fund/Sponsor Entity.

#### Tailored Advisory Services and Restrictions

##### *Investment Calculator*

Through the Investment Calculator, RM Adviser tailors its recommendations based on the particular information provided by investors regarding their investment portfolios and their desired investment goals, such as their investment objectives, desired exposure to volatility, liquidity preferences, and other investment preferences. RM Adviser does not collect data on any other variables related to an investor's investment goals. Thus, the advice provided is tailored to investor needs, but dependent on investor inputs and limited in the types of variables considered.

##### *The REITs*

RM Adviser tailors its advisory services to the investment strategies, terms and conditions of the REITs, as described in their respective offering circulars, available at [www.realtymogul.com](http://www.realtymogul.com). Among other restrictions, RM Adviser manages the REITs so that they comply with restrictions related to Internal Revenue Service ("IRS") requirements for qualification as a REIT and/or requirements applicable to the REITs' exemption from registration as an investment company under the Investment Company Act of 1940 ("**Investment Company Act**"). RM Adviser does not tailor its advisory services to the individual needs or circumstances of investors in the REITs.

##### *The Single Purpose Funds/Sponsor Entities*

RM Adviser is responsible for directly acquiring real estate properties and providing asset management services. For certain Single Purpose Funds RM Adviser also manages the Sponsor Entity. RM Adviser manages both the Sponsor Entity and Single Purpose Funds so that they comply with requirements pursuant to Regulation D and/or requirements applicable to the Sponsor Entity and/or Single Purpose Funds' exemption from registration as an investment company under the Investment Company Act of 1940 ("**Investment Company Act**"). RM Adviser does not tailor its advisory services to the individual needs or circumstances of individual investors in the Single Purpose Funds/Sponsor Entities as the Funds themselves are RM Adviser clients, not the individual investor.

### Wrap Fee Program

RM Adviser does not participate in any wrap fee program.

### Assets Under Management

As of October 10, 2019, RM Adviser managed \$96,810,906. This represents the amount of the REITs and Single Purpose Funds/Sponsor Entities which we manage on a discretionary basis.

## **Item 5: Fees and Compensation**

### The Investment Calculator

RM Adviser does not directly charge investors any fees to use the Investment Calculator. However, RM Adviser and affiliates of RM Adviser receive fees based on any investments that investors make based on the advice provided by the Investment Calculator, including the following:

- (i) Realty Mogul Commercial Capital, Co., an affiliate of RM Adviser's parent ("RMCC"), or another affiliated lending and servicing entity (collectively, the "RM Originators") will receive fees based on the loans or preferred equity originated and funded.
- (ii) RMCC, or another affiliated licensed real estate sales broker, will receive a buyer's broker fee ranging between 1%-3% of the contract purchase price of an asset paid upon the acquisition of underlying real estate property and/or a seller's broker fee ranging between 1%-3% of the contract sales price of an asset paid upon the sale of underlying real estate property for certain deals where RMCC is hired as a buyers broker or sellers broker.
- (iii) RM Manager, an affiliated adviser of RM Adviser that is an exempt reporting adviser with the SEC, receives fees based on investments in the Single Purpose Funds offered through the Platform that RM Manager manages.
- (iv) Sales of securities on the Platform are conducted by North Capital Private Securities Corp. ("NCPS"), a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Certain employees of Realty Mogul are registered representatives of NCPS, and each of NCPS and these registered representatives receive compensation in connection with their activities selling securities available on the Platform. Mogul Securities, LLC ("**Mogul Securities**"), an affiliate of RM Adviser that is a registered broker-dealer and member of FINRA, also has a referral agreement with NCPS through which Mogul Securities shall refer issuers who intend to conduct private placements or other exempt offerings (as described below) of their securities to NCPS for consideration by NCPS to be engaged as placement agent. In exchange for these referrals, NCPS shall pay to Mogul a percentage or portion of fees resulting from such referrals for acting as technology service provider.
- (v) RM Adviser receives an asset management fee for managing the REITs and RM Adviser receives an asset management fee for managing the Single Purpose Funds/Sponsor Entities. RM Adviser also receives an asset management fee when it asset manages a specific property that it is responsible for providing acquisition services for. RM Adviser is also entitled to a performance-based fee for

certain investments as further described below.

Clients will not have an opportunity to negotiate any of these fees. Investors and prospective investors should review the offering documents of each Fund advised by RM Adviser in conjunction with this Form ADV, Part 2A for complete information on the fees and compensation payable with respect to a particular Fund. Different Funds may be subject to different management fees. Investors should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. The specific details of all fees are disclosed to investors in investments on the Platform and can be found in the offering documents of each Fund.

### The REITs

RM Adviser receives fees directly from the REITS it manages.

- RM Adviser receives an 1.00% per annum assets under management fee, paid monthly in arrears, for advising and administering MR I.
  - The per annum assets under management fees are based on the average investment value of the assets at the end of each prior quarter. For purposes of this fee, “average investment value” means, for any period, the average of the aggregate book value of all of the respective REITs’ assets, before reserves for depreciation, amortization, bad debts, or other similar non-cash reserves.
- RM Adviser receives an 1.25% per annum assets under management fee, paid monthly in arrears, for advising and administering MR II.
  - The asset management fee is 1.25% at an annualized rate, payable in arrears, which is based on total equity value. For purposes of this fee, the total equity value equals (a) the then-current NAV per share, multiplied by (b) the number of shares of common stock then outstanding.
- In addition, each REIT will typically reimburse RM Adviser on a monthly basis for out of pocket expenses as a result of performing its role on behalf of each REIT. RM Adviser is entitled to certain other fees from each of the REITs. The fees for each REIT are detailed in such REIT’s Offering Documents, available at [realtymogul.com/investment-options#reits](http://realtymogul.com/investment-options#reits).

The management fees are paid regardless of the performance of the REITs and are payable based on all assets held by the REITs. For MR1, this includes debt financing. This fee structure could reduce RM Adviser’s incentive to devote time and effort to seeking investments that provide attractive risk-adjusted returns and could provide an incentive for RM Adviser to seek debt financing in order to increase assets under management and earn an increased management fee.

When MR1, which qualifies as a qualified purchaser, who in the aggregate owns and invests on a discretionary basis, not less than \$25,000,000 in investments, makes investments into Single Purpose Funds or Sponsor Entities that are also managed by RM Adviser, RM Adviser is entitled to receive a performance-based fee or promoted interest. Promoted interest in an undetermined amount of the entity’s distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return.

Pursuant to the joint venture operating agreements of the underlying investment, RM Adviser is entitled to a participation in the promoted interest of the entity’, which acquired the underlying investment’s, distributable cash (certain distributions which are payable to the RM Adviser if the underlying investment performs well), and a portion of these fees may be paid to personnel affiliated with our RM Adviser, including Jilliene Helman CEO



of RM Adviser, and Michael Schoellhammer, Managing Director of RM Adviser, for their roles in the investment opportunity.

For MR II, RM Adviser does not currently charge performance-based fees, i.e., the fees charged are calculated as described above. RM Adviser intends to charge performance-based fees once MR II exceeds \$25,000,000 in investments and qualifies as a qualified purchaser.

All the above fees and expenses are non-negotiable and are charged and deducted directly from the REITs' assets or from special purpose entities that issue equity to the REITs. Brokerage fees are discussed further below.

In addition, there are related fees paid by affiliated and unaffiliated third parties to RM Adviser's affiliates:

From time to time, when one of the affiliates of RM Adviser, RMCC, originates a commercial real estate loan or preferred equity investment that is sold to a REIT managed by RM Adviser, the borrower of the transaction may pay fees to RMCC. A portion of this fee may be paid to personnel affiliated with our Manager for their roles in sourcing the investment opportunity including an officer of RM Adviser, Michael Schoellhammer, who is also an officer of RMCC. The fees are paid to RMCC by the borrower entity and not by the REIT. The actual amount of origination fees, default interest, extension fees and exit fees that will be paid are dependent upon the total transaction amount funded.

For senior debt, mezzanine debt or preferred equity investments:

- Origination fee of 1.0%-2.5% of the financing amount
- Extension fee of 0%-1% of the financing amount per extension;
- Default interest in an undetermined amount as negotiated;
- Exit fee of 0%-1% upon payoff or per extension calculated as a percentage of the financing amount or outstanding loan balance

Similarly, from time to time, a special purpose entity in which the REIT invests (this could be a Single Purpose Fund, Sponsor Entity or unaffiliated third party entity) may pay an affiliate of our RM Adviser one or more of the fees set forth below. A portion of these fees may be paid to personnel affiliated with our Manager for their roles in the investment opportunity including officers of RM Adviser, Jilliene Helman and Michael Schoellhammer. The following fees will be paid by the particular special purpose entity. The actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash. We cannot determine these amounts at the present time.

For joint venture equity investments:

- Acquisition fee up to 3% of the total contract purchase price of the property paid to RMCC.
- Financing coordination fee and credit guarantee fee up to 1.0% of the financing in the event that an affiliate of our Manager or our Manager or an officer of our Manager provides services in connection with arranging the debt or provides a credit guarantee in connection with the financing.
- Asset management fee in the amount of 1.5% of our pro-rata share of the gross revenues of the particular property in the event that an affiliate of our Manager or our Manager provides property-level asset management services overseeing and managing the property manager. Affiliates of our Manager or our Manager will be reimbursed for property-level expenses that it pays or incurs on our behalf, including salaries, bonuses and benefits from persons who also serve as one of our Manager's executive officers. We anticipate that our Manager or its

affiliates will subcontract the performance of its property-level management services to third parties and pay all or a portion of its property-level management fee to the third parties with which it contracts for these services.

- Disposition fee up to 2% of the contract sales price of a property in the event that an affiliate of our Manager or our Manager provides disposition services for the property.
- Promoted interest in an undetermined amount of the entity's distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return and assuming the client is a qualified client.

#### Single Purpose Funds/Sponsor Entities

The Single Purpose Funds or Sponsor Entities (usually Delaware limited liability companies) pay certain fees and expenses to RM Adviser and/or its affiliates in connection with RM Adviser's advisory services. These fees and expenses are set forth in the respective offering materials and operating agreement entered by each Single Purpose Fund/Sponsor Entity and RM Adviser (made available through the Platform), such as:

- (i) **Management and Administrative fee:** RM Adviser or its affiliates receive management and administrative fees between 1% and 2% for management of the Single Purpose Fund / Sponsor Entity including administrative services such as necessary investor communications and technology functions. RM Adviser or its affiliates, at their discretion, defer all or a portion of the foregoing fees or reimbursement amounts described above that are payable for any quarterly or monthly period, and to instead receive such deferred amounts in one or more subsequent periods of their choosing, whether in the same calendar year or some future calendar year.
- (ii) **Property level asset management fee:** RM Adviser can charge an asset management fee to the Sponsor Entity for property-level asset management services between 1% and 2%.
- (iii) **Legal and Accounting Expenses:** RM Adviser (or one of its affiliates) shall be paid (or can direct Single Purpose Funds/Sponsor Entities to pay to third-party service providers, as applicable), as an expense of the respective Single Purpose Fund/Sponsor Entity, fees to compensate RM Adviser for legal, accounting, formation, diligence, related securities filings, travel and other fees associated with the formation of the Single Purpose Fund/Sponsor Entity and related securities filings.
- (iv) **Promoted Interest:** When the single purpose funds/Sponsor Entities have qualified clients, RM Adviser is entitled to receive a performance-based fee or promoted interest. The promoted interest in an undetermined amount of the entity's distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return. Pursuant to the joint venture operating agreements of the underlying investment, RM Adviser is entitled to a participation in the promoted interest of the entity', which acquired the underlying investment's, distributable cash (certain distributions which are payable to the RM Adviser if the underlying investment performs well), and a portion of these fees may be paid to personnel affiliated with our RM Adviser, including Jilliene Helman CEO of RM Adviser, and Michael Schoellhammer, Managing Director of RM Adviser, for their roles in the investment opportunity.

In addition, there are related fees paid by affiliated and unaffiliated third parties to RM Adviser's affiliates:

When a single purpose fund/sponsor entity makes an equity investment, the single purpose fund/sponsor entity may pay an affiliate of RM Adviser one or more of the fees set forth below. A portion of these fees may be paid to personnel affiliated with our Manager for their roles in the investment opportunity including officers of RM Adviser, Jilliene Helman and Michael Schoellhammer. The actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash. We cannot determine these amounts at the present time.

- Acquisition fee up to 3% of the total contract purchase price of the property paid to RMCC.
- Financing coordination fee and credit guarantee fee up to 1.0% of the financing in the event that an affiliate of RM Adviser or an officer of RM Adviser, Jilliene Helman, provides services in connection with arranging the debt or provides a credit guarantee in connection with the financing.
- Disposition fee up to 2% of the contract sales price of a property in the event an affiliate of RM Adviser provides disposition services for the property.

#### Overhead and General Operations

RM Adviser pays its own overhead, employee costs, utilities, technology costs and similar costs related to general operations as an adviser.

MogulREIT I and MogulREIT II have entered into an agreement to pay an officer of RM Adviser, Eric Levy, stock compensation of 1,000 shares per year for his role as Portfolio Manager for each respective REIT.

#### Fees Paid in Advance

No fees charged by RM Adviser are required to be paid in advance.

#### Compensation for the Sale of Securities

RM Adviser does not receive any compensation for the sale of securities, and none of its supervised persons receives any such compensation in their capacities as such.

#### Brokerage Fees

Investments made by investors who use the Investment Calculator (through their own investing) and by the REITs (on a discretionary basis by RM Adviser) and into Single Purpose Funds (through their own investing) will be made through NCPS, and their respective registered representatives. Certain of these registered representatives are also supervised persons of RM Adviser, as described below under Item 12, "Brokerage Practices." NCPS, and their registered representatives receive compensation based on either (1) the sale of the REITs' shares, which fees will be paid by the Sponsor or an affiliate, (2) purchases of interests in the Single Purpose Funds made by investors who use the Investment Calculator, which fees are generally paid by the sponsor or issuer of the securities as described above; or (3) certain equity investments made by the REITs, which fees are generally paid by the sponsor or issuer of the securities.

The actual amounts of brokerage fees paid based on sales of shares of the REITs are dependent upon the offering proceeds raised. With respect to MRI and MRII, NCPS is paid up to a 1.20% sales commission for their services in connection with the sale of shares of the REITs. With respect to Single Purpose Fund

managed by RM Adviser, the actual amounts of brokerage fees paid depend on the amount of equity raised and the agreement with each Single Purpose Fund. Typically these fees will be the greater of \$50,000 or 4% of the equity raised for a particular Single Purpose Fund but they could be more or less depending on the transaction.

None of these fees are paid by investors who purchase securities through the Platform (including based on advice provided by the Investment Calculator), investors in the REITs, or the REITs; however, where these fees are paid by an issuer, they will indirectly have the effect of lowering the return investors would receive in the absence of these fees as they are deal costs.

Receipt of compensation by affiliates or supervised persons of RM Adviser for the sale of securities purchased by investors who use the Investment Calculator or by the REITs and/or Single Purpose Funds/Sponsor Entities is a conflict of interest because it results in RM Adviser or its affiliates having an incentive to recommend investment products based on the compensation received, rather than on the needs of an investor, the respective REITs, or Single Purpose Funds/Sponsor Entities. In the case of investors who use the Investment Calculator, RM Adviser addresses these conflicts through policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate or employee of RM Adviser. In the case of the REITs and Single Purpose Funds, RM Adviser has addressed these conflicts of interest through policies that require any such fees to be reasonable and no higher than normally paid for these types of services. In addition, RM Adviser has adopted a Code of Ethics, described in more detail below, which requires it and its supervised persons to act in the best interest of its clients, including both investors who use the Investment Calculator, the Single Purpose Funds, and the REITs, based on its fiduciary duty to its clients.

A discussion of RM Adviser's brokerage practices may be found below under Brokerage Practices (Item 12).

To the extent that RM Adviser recommends investment products that are available through brokers or agents not affiliated with RM Adviser, clients can purchase such products through those third party brokers or agents. As discussed in Item 12, however, all of the products available on the Platform are only available through NCPS. RM Adviser does not charge commissions or markups to its clients.

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

RM Adviser and supervised persons are currently compensated for advisory services with performance-based fees for management of certain investments where MogulREIT I is an investor, because MogulREIT I is a qualified purchaser acting for its own account, who in the aggregate owns and invests on a discretionary basis, not less than \$25,000,000 in investments.

For other RM Adviser clients, besides MogulREIT I, RM Adviser does not charge performance-based fees, i.e., the fees charged are calculated as described above and are not charged on the basis of share of capital gains or capital appreciation. Once MogulREIT II becomes a qualified investor with greater than \$25,000,000 in investments, RM Adviser plans to charge a performance-based fee and will disclose this to investors prior to any fee agreement.

RM Adviser and its supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged a flat asset-based asset management fees. This poses a conflict of interest that RM Adviser and our supervised persons face by managing these accounts at the same time, including

that RM Adviser and our supervised persons have an incentive to favor accounts for which there is receipt of a performance-based fee. In these cases, we disclose it on a deal-by-deal basis to any impacted investors.

#### **Item 7:           Types of Clients**

RM Adviser advises (i) investors who seek advice using the Investment Calculator, (ii) the REITs, and (iii) Single Purpose Funds/Sponsor Entities.

##### Users of the Investment Calculator

Investors who use the Investment Calculator are limited to registered users of the Platform. There is no investment requirement to use the Investment Calculator, although many of the investment opportunities displayed on the Platform are available only to accredited investors as defined in Regulation D, and there are different minimum investments for each investment available through the Platform. Typically, the lowest minimum investment amount for private placements is \$10,000. Investments in the REITs may be made in amounts as low as \$5,000, or as otherwise specified on the Platform and in the REITs' respective offering circulars.

##### The REITs

The REITs invest in real estate and real estate-related assets. Interests in the REITs are initially being offered publicly through an offering statement for smaller offerings filed with the SEC under Regulation A under the Securities Act, and available at [www.realtymogul.com](http://www.realtymogul.com). Interests are available for investment through the Platform. As discussed above, the REITs intend to comply with investment restrictions related to its compliance with an exemption from registration for real estate companies in the Investment Company Act, and with IRS regulations related to qualification as a REIT.

Although investors in the REITs are not clients of RM Adviser, they are subject to certain restrictions when investing in the REITs. Initially, the minimum investment in common shares for MR I is \$5,000 based on the current per share price. For IRAs and tax-deferred accounts, the minimum investment in common shares for MR I is \$5,000 based on the current per share purchase price. The minimum investment in shares of common stock for MR II is \$5,000 based on the current per share price unless the investor is investing through an IRA or other tax-deferred account. For IRAs and other tax deferred accounts, the minimum investment in shares of common stock of MR II is \$10,000 based on the current per share purchase price. In RM Adviser's discretion, the REITs may in the future increase or decrease the minimum investment amount for all new purchasers.

Investors in the REITs must also be "qualified purchasers" as defined under Regulation A. As a result, investors that are not accredited investors as defined in Regulation D under the Securities Act may not invest more than 10% of the greater of their annual income or net worth (for natural persons), or 10% of the greater of annual revenue or net assets at fiscal year-end (for entities). Finally, because the REITs intend to qualify as a REIT, no person may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, either more than 9.8% in value or in number of common shares, whichever is more restrictive, or more than 9.8% in value or in number of all shares, whichever is more restrictive.

Finally, no more than 25% of the value of investments in the REITs may be “plan assets” for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”) or Section 4975 of the Internal Revenue Code of 1986.

#### The Single Purpose Funds/Sponsor Entities

The Single Purpose Funds invest in Sponsor Entities which directly acquire real estate. Interests in the Single Purpose Funds are offered as private placements under Rule 506 of Regulation D. Investors in the Single Purpose Funds must be “accredited investors” as defined under Regulation D. As a result, investors that are not accredited investors as defined in Regulation D under the Securities Act may not invest in Single Purpose Funds/Sponsor Entities. Also, the Single Purpose Funds intend to comply with investment restrictions related to compliance with an exemption from registration under the Investment Company Act. Interests in Single Purpose Funds are available for investment through the Platform.

Finally, no more than 25% of the value of investments in a Single Purpose Fund may be “plan assets” for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”) or Section 4975 of the Internal Revenue Code of 1986.

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

#### Investment Strategies

##### *Investment Calculator*

The Investment Calculator provides investment advice to registered users on the Platform regarding target allocations of real estate-related investments in their portfolios. Users of the Investment Calculator input their current investment portfolio allocation among stocks, bonds, cash, real estate and other asset classes, as well as information regarding their investment objectives, desired exposure to volatility, liquidity preferences, and other investment preferences. The algorithm used by the Investment Calculator then computes a target allocation and potential types of real estate investments that could be made within that target allocation (e.g., equity investments, including the REITs, versus debt investments). The Investment Calculator also provides recommended target hold periods for real estate investments, particular strategies (such as income versus capital appreciation), and target asset classes (such as retail, office, multi-family or industrial real estate, which have different risk profiles). Target allocations are based on pre-determined profiles developed by RM Adviser, which are selected and displayed based on an algorithm that applies the information provided by the user.

The results page of the Investment Calculator includes a link allowing investors to browse investments available through the Platform. Through this mechanism, the Investment Calculator may recommend any type of investments available on the Platform. A discussion of how RM Adviser’s affiliates choose those investments for inclusion on the Platform is below.

##### *MR I*

RM Adviser’s investment strategy for MR I is to use all of the proceeds of MR I’s offering to acquire, leverage, syndicate and sell investments in a variety of real estate loans and other investments in real estate, primarily in the commercial real estate sector. MR I is managed to hold both mortgage or other debt-

related investments and equity related investments, with an objective to achieve consistent and increasing cash distributions supported by recurring payments from investments in debt and equity, and by capital gains driven by appreciation from investments in equity.

RM Adviser generally manages MR I with an objective of seeking to create and maintain a portfolio of investments that generate a low-volatility income stream of attractive and consistent cash distributions. RM Adviser also diversifies MR I's portfolio by investing in equity investments, subject to certain limitations related to MR I's qualification as a REIT and/or to maintain its exemption under the Investment Company Act, as applicable. RM Adviser's recommendations relating to investing in equity investments are to seek investments that will produce returns to investors through rental income and capital appreciation. The investment objectives for MR I are to achieve attractive, risk-adjusted returns that exceed alternative real estate investment offerings.

## *MR II*

RM Adviser's investment strategy for MR II is to realize capital appreciation in the value of investments over the long term and to pay attractive and stable cash distributions to stockholders. The focus is on long-term capital appreciation from the renovation and repositioning of multifamily properties.

RM Adviser generally manages MR II with an objective of seeking to create and maintain a portfolio of investments that generate both cash flow and the potential for appreciation. RM Adviser diversifies MR II's portfolio by investing in multifamily investments including both joint venture equity and preferred equity and providing for geographic diversification, subject to certain limitations related to MR II's qualification as a REIT and/or to maintain its exemption under the Investment Company Act, as applicable. RM Adviser's recommendations relating to investing in equity investments are to seek investments that will produce returns to investors through rental income and capital appreciation.

## *Single Purpose Funds/Sponsor Entity*

The investment strategy for each Single Purpose Fund/Sponsor Entity is different and disclosed in the offering documents for each Investment. RM Adviser or RM Manager is responsible for managing the day-to-day operations, including providing investment advisory and acquisition services (including performing due diligence on our investments), offering services, asset management services, marketing and advertising services, accounting and other administrative services, stockholder services, financing services, and disposition services, among others. In addition, a team of real estate and debt finance professionals, acting through RM Adviser or RM Manager, will make all the decisions regarding the selection, negotiation, financing and disposition of investments, subject to the limitations in agreement by and between RM Adviser or RM Manager, Sponsor Entity, and Single Purpose Fund.

## Methods of Analysis

### *Identification of Investments for Recommendations by the Investment Calculator*

Through the Investment Calculator, RM Adviser may recommend to investors any types of real estate investments available on the Platform. The Investment Calculator uses investor inputs to place each investor on a risk/reward continuum from very conservative to very aggressive. Based on that placement, the Investment Calculator recommends particular types of real estate investments available on the Platform that may be appropriate to the investor, and an overall portion of real estate investments that the investor should target. Generally, investors with more aggressive profiles are encouraged to invest

more heavily in equity-related investments with higher associated risks and returns, while investors with more conservative profiles are encouraged to invest in transactions with lower anticipated risks and returns.

#### *Identification of Investments for the REITs*

RM Adviser sources potential investment opportunities through the officers of RM Adviser and the relationship as a wholly owned subsidiary of Realty Mogul. When considering whether, and in what manner, a potential investment opportunity should be purchased by the REITs, RM Adviser may consider and assess the appropriateness of each investment opportunity to the investment policies of the REITs; diversification and current asset concentration of the REITs; the amount of capital available at the time an investment is presented; requirements for conformity with IRS requirements for qualification as a REIT; requirements applicable to the respective REITs' exemption from registration as an investment company under the Investment Company Act; and other similar factors.

**MR I - Investment Committee.** If RM Adviser decides that MR I should pursue an investment, RM Adviser recommends the investment to MR I's investment committee ("**Investment Committee**"). A majority of the investment committee of RM Adviser will approve each of MR I's investments. There are currently two members of the Investment Committee. So long as there are only two members of the Investment Committee, approval will require both members. RM Adviser will include any financing recommendations in its recommendation; however, exact financing terms may not be known prior to Investment Committee approval. The Investment Committee must approve the potential investment before MR I makes the investment.

**MR II – Board of Directors.** If RM Adviser decides MR II should pursue an investment, RM Adviser recommends the investment to MR II's board of directors (the "**Board**"). A majority of the Board will approve each of MR II's investments, and, if the particular transaction is with RM Adviser and one of its affiliates, the transaction must be approved by a majority of the MR II's directors, including a majority of its independent directors, who are not otherwise interested in the transaction. The Board has preapproved investments that are less than 10% of the asset value of the REIT or have less than 75% leverage. There are currently three members of the Board.

**Single Purpose Fund / Sponsor Entity - Investment Committee.** If RM Adviser decides that Sponsor Entity should pursue an investment, RM Adviser recommends the investment to Sponsor Entity's investment committee ("**Investment Committee**"). A majority of the investment committee of RM Adviser will approve each of Sponsor Entity's investments. There are currently two members of the Investment Committee. So long as there are only two members of the Investment Committee, approval will require both members. RM Adviser will include any financing recommendations in its recommendation; however, exact financing terms may not be known prior to Investment Committee approval. The Investment Committee must approve the potential investment before Sponsor Entity makes the investment.

#### Risk of Loss

Investing in real estate and real estate-related assets and securities involves risk of loss that clients, as well as investors in the REITs and Single Purpose Funds/Sponsor Entities, should be prepared to bear, including without limitation the risk of all or substantial loss of principal. No return is guaranteed, and there can be



no assurances that users of the Investment Calculator, the REITs, the Single Purpose Funds, Sponsor Entities or investors in the REITs and/or Single Purpose Funds will achieve their desired return or risk profiles.

RM Adviser does not guarantee future performance or any specific level of performance, the success of any investment recommendation that RM Adviser may make, the success of any investment strategy that RM Adviser may use, or, in the case of the REITs or Single Purpose Funds or Sponsor Entities, the success of its overall management. Potential investors should understand that investment recommendations made by RM Adviser are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investors are reminded that investing in any security, including those offered on the Platform or in the REITs or Single Purpose Funds or Sponsor Entities, entails risk of loss they should be willing to bear.

An investment in real estate-related investments, whether on the Platform or through an investment in the REITs or Single Purpose Funds or Sponsor Entities, is speculative and involves a significant degree of risk. Investments in real-estate related assets involve substantial risks and are suitable only for those investors who have the financial sophistication and expertise to understand and accept such risks, and the financial ability to bear the related risk of loss.

The following explanation of certain risks is not exhaustive, but rather highlights the significant risks involved in our investment strategies and methods of analysis. Additional detail on the specific investment opportunities recommended to investors through the Investment Calculator, and their associated risks, is provided on the portion of the Platform dedicated to each investment. More detail on the investment strategy of the REITs or a particular Sponsor Entity or Single Purpose Fund advised by RM Adviser is included in their respective offering documents, which are provided to each investor prior to investing in the REITs or Single Purpose Fund.

#### *Material Risks Related to Investment Strategies*

**Risks of Investing in Real Estate-Related Assets.** Investments in real estate assets and real estate-related investments are subject to various risks associated with the real estate industry generally, including adverse changes in the financial conditions of tenants, buyers, and sellers of properties; the availability of financing; real estate taxes, interest rates and other operating expenses; insurance; environmental laws and regulations, zoning laws, and other governmental rules and fiscal policies; the relative popularity of certain property types and locations; and the availability of certain construction materials. Developments in local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests. Real estate assets may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate investments may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such loans or assets.

**Risks of Investing in Commercial Mortgage Loans.** The value of commercial mortgage loans and the underlying real estate will be influenced by the historical rate of commercial mortgage loan delinquencies and defaults and by the severity of resulting losses. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property

rather than upon the borrower's other income or assets, as most commercial mortgage loans provide recourse only to the property itself.

**Risks Associated with Equity Investments.** Equity securities of real estate companies involve a higher degree of risk than debt securities due to a variety of factors, including that such investments may be subordinate to creditors and are not secured by the issuer's property. Investments in real estate-related equity securities will involve special risks relating to the particular issuer of the equity securities, including the financial condition and business outlook of the issuer. Issuers of real estate-related equity securities generally invest in real estate or real estate-related assets and are subject to the inherent risks associated with real estate, including risks relating to rising interest rates. In addition, for certain equity investments, return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of the investment. Developments in global financial markets over the past few years and new developments in global and local markets, if they occur, may adversely impact the ability of the holder of those investments to dispose of investments at their expected returns.

**Economic Recession and Decrease in Real Estate Values.** Investments in real estate-related assets may be susceptible to economic slowdowns or recessions, which could lead to financial losses with respect to an investment and a decrease in revenues, net income and assets. An economic slowdown or recession, in addition to other non-economic factors such as an excess supply of properties, could have a material negative impact on the values of commercial real estate. Declining real estate values will likely reduce the availability of new real estate assets, since borrowers often use increases in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on the loans if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that investors will incur losses on their loans in the event of default because the value of the collateral may be insufficient to cover the costs on the loans. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both net interest income from loans in a client's portfolio as well as the client's ability to sell and securitize loans, which would significantly harm the client's returns.

#### *Other General Risk Factors*

**RM Adviser's Dependence on its Affiliates.** Realty Mogul has funded substantially all of its operations with proceeds from private financings. To meet its financing requirements in the future, it may raise funds through equity offerings, debt financings or strategic alliances. Raising additional funds may involve agreements or covenants that restrict Realty Mogul's business activities and options. Additional funding may not be available to it on favorable terms, or at all. If Realty Mogul is unable to obtain additional funds, it may be forced to reduce or terminate its operations. Any inability for Realty Mogul to fund its operations could have a substantial and deleterious effect on RM Adviser's business and operations, including its management of the REITs and the Investment Calculator.

RM Adviser's supervised persons are all also employees of Realty Mogul who perform services for the REITs, Single Purpose Funds, Sponsor Entities and Investment Calculator on behalf of RM Adviser through a shared services agreement between RM Adviser and Realty Mogul. The success of the REITs, Single Purpose Funds, Sponsor Entities and the Investment Calculator are therefore dependent upon the performance of Realty Mogul's real estate finance professionals. Any adverse changes in Realty Mogul's financial condition or its relationship with Realty Mogul could hinder RM Adviser's ability to successfully manage its operations, the REITs, Single Purpose Funds, Sponsor Entities and Investment Calculator.

**Dependence on Key Personnel.** The ability of RM Adviser to provide useful and effective investment advice through the Investment Calculator and in managing the REITs and Single Purpose Funds and Sponsor Entities is dependent in large part upon the skill and expertise of its key executives and top investment professionals. In addition, the success of investments available on the Platform (and therefore to users of the Investment Calculator) and of the REITs and Single Purpose Funds and Sponsor Entities are dependent on the skill and expertise of the key executives and top investment professionals of Realty Mogul and its affiliates, including the RM Originators. There can be no assurance that such key executives will continue to be associated with RM Adviser or its affiliates. In addition, because RM Adviser's supervised persons also provide services to other Realty Mogul affiliates, they may have limited time to devote to RM Adviser and its clients.

**Limited Operating History of RM Adviser.** RM Adviser developed and launched the Investment Calculator in 2016 and therefore has a limited history upon which prospective clients may evaluate its performance. The performance of prior investment entities or companies associated with the executives of RM Adviser is not necessarily indicative of future results. While RM Adviser intends to recommend investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that an investment will not incur significant losses. The loss of any client's or investor's entire principal is possible.

**Market Risks.** Some of the real estate-related assets recommended by RM Adviser are traded in active private markets. The values of such investments are susceptible to fluctuations based on market trends. Certain worldwide government bodies and central banks have responded to recent financial market turmoil with extraordinary intervention programs, the success of which has yet to be measured. Further changes in stock prices, interest rates, currency exchange rates, or commodity prices could result in changes in the broader marketplace that adversely affect the value of investments. Clients may have difficulty disposing of such investments at a price and on terms that are attractive.

**Risks of Environmental Liabilities.** Under various laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances and other environmental pollutants (including, without limitation, petroleum products, asbestos, and polychlorinated biphenyls) released on, about, under, or in the property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances or other environmental pollutants. The presence of hazardous substances or other environmental pollutants, or the failure to remediate hazardous substances or other environmental pollutants properly, may adversely affect the owner's ability to sell or use real estate or to borrow outside funds using real estate as collateral. Environmental liabilities with respect to a specific real estate asset may exceed the value of such asset.

**Regulatory Risks.** There is no assurance that RM Adviser or the RM Originators will be able to: (i) obtain all required regulatory approvals not yet acquired, or that may need to be acquired in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operations of a portfolio company, impede the development of real estate assets, delay the completion of a previously announced acquisition or sale to third parties, or otherwise result in additional costs to a portfolio company, or other investment, and in turn decrease the

return to clients. The investment strategy is subject to complex, changing, and sometimes competing legal, tax, and regulatory regimes, and there is a possibility that new or changing regulatory requirements could have adverse effects on an investment.

**Legislative and Tax Risk.** Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation, and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations. RM Adviser does not engage in financial or tax planning, and in certain circumstances clients and/or investors in the REITs or Single Purpose Funds may incur taxable income on their investments without a cash distribution to pay the tax due.

#### *Risks Specifically Associated with the Investment Calculator*

**Reliance on Client Information.** RM Adviser's recommendations through the Investment Calculator are highly reliant on the accuracy of the information provided by users of the Investment Calculator. If a client were to provide RM Adviser with inaccurate information, this could materially impact the outputs of the Investment Calculator and the appropriateness of its resulting recommendations.

**Recommendations Limited to Platform Offerings.** RM Adviser's recommendations through the Investment Calculator are limited to the investments and types of investments offered on the Platform. The offerings on the Platform for individual investors are limited to (i) equity interests in Single Purpose Funds that invest in companies whose primary business is to own and renovate or operate one or more specified commercial real estate projects, and (ii) investments in the REITs. These investments may not be appropriate for all clients.

**Risks Related to the Algorithm.** RM Adviser provides recommendations to clients based on proprietary software that utilizes various quantitative and qualitative models. Such computer generated recommendations may be subject to system error. Further, as market dynamics (for example, due to changed market conditions and participants) shift over time, a previously successful model may become outdated or inaccurate, perhaps without the computer software system or designers of the Investment Calculator recognizing the change and modifying the Investment Calculator before further recommendations are made. Clients are urged to discuss any recommendations generated by the Investment Calculator with their own legal, financial, tax and economic advisors and to conduct their own due diligence on recommended investments before following any recommendation.

**Analysis Limited to Few Variables.** Investment recommendations made through the Investment Calculator are generated based on a client's existing or hypothetical investment portfolio, as provided by the client, along with a limited number of variables such as investment objectives, desired exposure to volatility, liquidity preferences, and other investment preferences. The recommendations are based on these inputs and a limited number of objective factors, such as past performance and risk profiles, typical duration, and income periodicity of the applicable investment types and strategies. Many other factors, including among others both investor-specific factors and the general factors described above in the discussion or risks associated with real estate investing, may be relevant to whether an investment is an appropriate choice for any particular client.

**No Analysis of Taxation.** In making investment recommendations there are a number of factors that RM Adviser does not consider, including but not limited to the specific tax implications of an investment and/or

the individual client. Each client must rely on its own examination and that of its financial, tax and legal advisors in evaluating the merits and risks involved in selecting an investment. Clients should not construe the contents of any recommendation made by RM Adviser as tax advice. Each Client must rely upon its own representatives as to tax and other aspects of an investment and as to its suitability for such client.

**Advisory Risk.** There is no guarantee that the Investment Calculator's analysis of particular securities or asset classes will necessarily produce the intended results. The Investment Calculator's algorithm may prove to be incorrect, and clients might not achieve their investment objectives. RM Adviser may also make future changes to the algorithms and advisory services that it provides, and in such a case RM Adviser will not retroactively adjust any recommendations made previously to users of the Investment Calculator.

**Volatility and Correlation Risk.** Clients should be aware that the recommendations provided by the Investment Calculator are based in part on past price performance and volatility, which is used to evaluate future probabilities and projected returns. Because future investment returns may differ significantly from past performance, these projections may be inaccurate. In addition, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions as the assets recommended by the Investment Calculator. This correlation may adversely affect a client and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

**Illiquidity of Investments.** Most investments offered on the Platform are highly illiquid, and there can be no assurance that clients will be able to realize these investments in a timely manner. It is unlikely that there will be a public market for most of the investments. Investors generally will not be able to sell many of the investments listed on the Platform publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases, clients may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments sold on the Platform may be such that they require a substantial length of time to liquidate.

**Limited Operating History.** RM Adviser developed and launched the Investment Calculator in 2016 and therefore has a limited history upon which prospective clients may evaluate its performance. The performance of prior investment entities or companies associated with the executives of RM Adviser is not necessarily indicative of the success that investors may realize through their use of the Investment Calculator. While RM Adviser intends to recommend investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that an investment will not incur significant losses. The loss of any client's entire principal is possible.

#### *Risks Specifically Associated with the REITs*

**Risks Related to Identification of Investments and Due Diligence.** Before making an investment, RM Adviser assesses the strengths and weaknesses of each originator or issuer of an asset as well as other factors and characteristics that are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, RM Adviser relies on resources available to it and, in some cases, an investigation by third parties. There can be no assurance that RM Adviser's due diligence process will uncover all relevant facts or that any investment will be successful.

In addition, the methods of analysis that RM Adviser employs when determining whether to recommend that the REITs make a particular investment may be subjective and are subject to its assessment of many variables, including those described above in this Item 8. These variables (among others) and their impact on the REITs may cause the REITs to lose money over short or long periods. As a result, there can be no assurance that RM Adviser's recommendations will satisfy the investment objectives of the REITs or that the REITs will be able to carry out its investment strategy successfully.

**Concentrated Investments and Risk of Default.** While RM Adviser intends to diversify the portfolio of real-estate investments of the REITs, RM Adviser is not required to observe specific diversification criteria. To the extent that the REITs' portfolios are concentrated in any one geographic region or type of security, downturns relating generally to such region or type of security may result in defaults on a number of the REITs' investments within a short time period, which may reduce the REITs' net income and the value of the its shares and accordingly may reduce the its ability to pay distributions to investors.

**Limited Number of Investments.** Particularly in the period after the REITs are initially formed, they may hold a limited number of investments or a limited number of asset classes and, as a consequence, the aggregate return of the REITs may be substantially adversely affected by the unfavorable performance of even a single investment. Further, as a Regulation A offering, the REITs are only allowed to raise up to \$50 million in any 12-month period (although the REITs may raise capital in other ways). RM Adviser expects the size of the commercial real estate investments will average about \$2.0 million to \$7.0 million per asset. As a result, the amount of proceeds raised may be substantially less than the amount needed to achieve a diversified portfolio of real estate investments, even if the REITs are successful in raising the maximum offering amount. If the REITs do not raise substantial funds, there will be fewer investments resulting in less diversification in terms of the type, number and size of investments. In that case, the likelihood that any single asset's performance would adversely affect the REITs' profitability will increase.

**Blind Pool Offering.** RM Adviser will seek to invest substantially all of the offering proceeds of the REITs available for investment, after the payment of fees and expenses, in commercial real estate loans, commercial real estate and other real estate-related assets. However, investors in the REITs will be unable to evaluate the economic merit of assets before RM Adviser invests in them and will need to rely entirely on the ability of RM Adviser to select suitable and successful investment opportunities. Furthermore, RM Adviser will have broad discretion in implementing policies regarding mortgagor creditworthiness, and investors will not have the opportunity to evaluate potential borrowers.

**Illiquidity of Investments in the REITs.** Currently, there is no public market for the REITs' shares. The REITs have adopted a redemption plan whereby shareholders may redeem up to 25% of their shares quarterly. There is a discount for liquidating shares in the first 3 years and a lock up for the first year. RM Adviser may amend, suspend or terminate the REITs' redemption plans without notice.

Given the restrictions on redemptions, it may be difficult for an investor to sell its shares promptly or at all. If an investor in the REITs is able to sell its shares, it would likely have to sell them at a substantial discount to the public offering price. Because of the illiquid nature of the REITs' shares, investors should purchase the REITs' shares only as a long-term investment and be prepared to hold them for an indefinite period of time.

**Illiquidity of Investments by the REITs.** Most investments purchased by the REITs are highly illiquid. It is unlikely that there will be a public market for most of the investments. The REITs may not be able to sell assets purchased by the REITs unless their sale is registered under applicable securities laws, or unless an

exemption from such registration requirements is available. In some cases, the REITs may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by the REITs may be such that they require a substantial length of time to liquidate. In the event of a margin call at a time in which the REITs do not have sufficient cash assets to cover such call, the REITs may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the REITs.

**Limited Current Return.** For certain equity investments, the REITs' return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of the REITs' investment. Developments in global financial markets over the past few years and new developments in global and local markets, if they occur, may adversely impact the ability of the REITs to dispose of equity investments at their expected returns. Current returns from these equity investments may vary, as RM Adviser generally attempts to maximize realized returns on their disposition, and as such, will generally not favor early liquidation of an equity investment or foregoing potential disposition upside to maximize current returns.

**Investing in Mezzanine Loans/B-Notes/Preferred Equity.** RM Adviser may recommend that the REITs invest in mezzanine loans that take the form of subordinated loans secured by a pledge of the ownership interests of either the entity owning the real property or an entity that owns (directly or indirectly) the interest in the entity owning the real property or b-notes which are subordinated to a-notes or preferred equity that are not secured by a mortgage. These types of investments may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property because in the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, the assets of the entity may not be sufficient to satisfy our mezzanine loan/b-note/preferred equity. If a borrower defaults on a subordinated investment, or in the event of a borrower bankruptcy, the subordinated investment will be satisfied only after the senior debt. As a result, the REITs may not recover some or all of its investment. In addition, subordinated investments may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

**Changes to Targeted Investments.** RM Adviser may change the REITs' targeted investments and asset allocation at any time without the consent of the REITs' respective shareholders, which could result in the REITs making investments that are different from, and possibly riskier than, the investments described in this Brochure or the offering documents for the REITs. A change in the REITs' targeted investments may increase their exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect the value of MR I's common shares and MR II's common stock and their ability to make distributions to investors. Furthermore, a change in the REITs' asset allocation could result in its making investments in asset categories different from those described in this Brochure.

**Risks Related to Minimal Operating Capital.** The REITs have minimal operating capital, and for the foreseeable future will be dependent upon their ability to finance their operations from the sale of equity or other financing alternatives. There can be no assurance that the REITs will be able to successfully raise operating capital. The failure to successfully raise operating capital, and the failure to attract qualified real estate companies and sufficient investor purchase commitments, could result in the REITs' bankruptcy or other event which would have a material adverse effect on the REITs and the value of their shares. The REITs do not have significant assets or financial resources, so such an adverse event could put investment dollars at significant risk.

**Limited History.** As MR I commenced operations in August 2016, and MR II commenced operations in September 2017, they have a limited operating history, upon which prospective investors may evaluate its performance or base a prediction of future success or failure. The performance of prior investment entities or companies associated with the executives of RM Adviser is not necessarily indicative of the REITs' future results. While RM Adviser intends for the REITs to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the REITs will not incur significant losses. The loss of any investor's entire principal is possible.

**Valuation of Investments.** The REITs' investments may include numerous illiquid, subordinate, non-traded, or lightly traded investments for which a traditional fair market value would be difficult and expensive, if not impossible, to determine. Therefore, RM Adviser will typically use either the principal amount of a loan or its discounted cash-flow value as a surrogate for traditional fair market value calculations and may use valuations based on discounted cash-flow projections even when market values are available. Discounted cash flow estimates involve calculations of expected future cash flows, the timing of receipt of those expected cash flows, and the discount rate applied to the overall cash flows. The discounted cash-flow value of an asset includes unrealized gains and losses and may be adjusted by any cash distributed or contributed to the REITs or to reflect any permanent impairments to the asset values as determined by RM Adviser. Therefore, the value of assets based on discounted cash flows may vary from actual amounts realized upon the disposition of those assets being valued. There can be no assurances that valuation determinations based on discounted cash flow, or the assumptions used to make those determinations, will prove to be accurate. The REITs may, in limited situations such as with larger investments comprised of a single asset, rely on valuations it receives from third parties in determining the price paid for assets or the value of such asset. Such valuations may turn out to be inaccurate and therefore affect the REITs' returns with respect to such assets. There can be no certainty that the price paid for an asset by the REITs will be equal to or less than the determined fair value, and as such, this may have an impact on the fair value as it is calculated on a discounted cash-flow, rather than a price-paid, basis, and may have an impact on the performance reported to the REITs' investors with respect to individual assets and the REITs' entire portfolios.

**Investments Originated by RM Adviser Affiliates for MR I.** An RM Originator may be entitled to receive a 1-3% origination fee for originating commercial loans that MR I may purchase. In addition, NCPS and/or Mogul Securities may be entitled to receive up to a 5% finders' fee for sourcing an equity investment which MR I purchases, subject to a minimum fee of \$50,000 per transaction. MR I will not pay either of these fees, but RM Adviser may be incentivized to prioritize loans originated by an RM Adviser affiliate over loans originated by an unaffiliated third party and equity investments sourced by an RM Adviser affiliate over equity investments sourced by an unaffiliated third party because of the fees that could be paid to RM Adviser's affiliates for those investments. Further, while RM Adviser will attempt to make investments that allow MR I to qualify as a REIT and maintain its exemption under the Investment Company Act, RM Adviser has some latitude on the types of investments that it may approve. Within these constraints, RM Adviser may have an incentive to prioritize equity investments over debt investments because its affiliates could earn up to a 5% finders' fee on an equity investment and a 3% origination fee on a debt investment. This incentive could lead to RM Adviser approving equity investments that it would not otherwise approve or to overweighting equity investments in MR I's portfolio.

**Risks Related to the Realty Mogul Platform.** MR I and MR II conduct their offerings through the Realty Mogul Platform, which is operated by RM Technologies, LLC, an affiliate of Realty Mogul. Realty Mogul has sponsored



other debt-related real estate investment opportunities under other formats prior to this offering, but these are the first REIT offerings being offered through the Realty Mogul Platform. The success of the REITs' offerings, and the REITs' ability to implement their business strategies, is dependent upon their ability to sell shares to investors through the Realty Mogul Platform. If they are not successful in selling their shares through the Realty Mogul Platform, their ability to raise proceeds will be limited and they may not have adequate capital to implement their investment strategies. If they are unsuccessful in implementing their investment strategies, investors could lose all or a part of their investments.

#### *Risks Specifically Associated with the Single Purpose Funds and Sponsor Entities*

**Concentrated Investments and Risk of Default.** Single Purpose Funds and Sponsor Entities typically invest in an individual asset creating a concentration risk related to any one geographic region, downturns relating generally to such region may result in default within a short time period, which may reduce the Sponsor Entity's net income and accordingly may reduce the ability to pay distributions to investors.

**Limited Number of Investments.** Single Purpose Funds and Sponsor Entities typically will hold an individual investment in an individual asset class and, as a consequence, the return of the Single Purpose Fund and Sponsor Entities may be substantially adversely affected by the unfavorable performance of the investment.

**Risks of Private Placements.** A security exempt from registering with the U.S. Securities and Exchange Commission and state securities regulator is often referred to as a private placement or unregistered offering.

- Only an "accredited" investor should invest in a private placement offering. To qualify as "accredited" investor, the investor must (a) have a net worth (not including primary residence) of at least \$1 million, or (b) have an income exceeding \$200,000 in each of the 2 most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.
- Private placement offerings often are speculative, high risk and illiquid investments. An investor can lose his or her entire investment in a private placement offering.
- Private placement offerings are not subject to same laws and regulations, which are designed to protect investors, as registered securities offerings.
- Private placement offerings have not been reviewed by a regulator to make sure risks associated with the risks of private placement investment have been adequately disclosed to prospective investors.
- Private placement offerings often project higher rates of return, but this is typically because the risks of the underlying the private placement investment are also higher.
- Private placement offerings are generally illiquid, meaning there are limited opportunities to resell the underlying security of the private placement. Therefore, an investor may be forced to hold the private placement security indefinitely.
- Investors in a private placement offering are usually provided with less disclosure information than they would receive in a public securities offering. Consequently, investors know much less about the private placement investment and the people behind it.
- Private placement offerings have been used by fraudsters in the past, and consequently private placement offerings are one of the most frequent sources of enforcement cases conducted by state securities regulators. It may be very difficult or impossible for an investor in a private placement offering to recover the money invested from the sponsor of the private placement offering if such offering turns out to be fraudulent.

- Before investing in a private placement offering, an investor should carefully read and fully understand the subscription agreement and the offering memorandum/private placement memorandum.
- For additional details about private placement offerings and red flags associated with such offerings, please visit [http://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_privateplacements.html#VDane410yUk](http://www.sec.gov/oiea/investor-alerts-bulletins/ib_privateplacements.html#VDane410yUk).

**Item 9: Disciplinary Information**

RM Adviser is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. RM Adviser has no information it is required to disclose in response to this Item.

**Item 10: Other Financial Industry Activities and Affiliations**

Management Persons as Registered Representatives of Broker-Dealers

Certain management persons of Realty Mogul are registered representatives of Mogul Securities and/or NCPS.

Material Relationships with "Related Persons"

RM Adviser has the following material relationships with affiliates that participate in various financial industry activities.

*Mogul Securities*

Mogul Securities, a commonly controlled affiliate of RM Adviser that is also a registered broker-dealer and FINRA member firm who has registered representatives that are also RM Adviser officers, receives referral fees from referring transactions to NCPS. NCPS sources investors for the REITs and Single Purpose Funds. As discussed above, these registered representatives of Mogul Securities (and Mogul Securities itself) may receive commissions based on their sales to investors in the REITs and Single Purpose Funds or for selling investments to the REITs or Single Purpose Funds and/or referral fees for referring business opportunities to NCPS or another registered broker-dealer. None of these fees are paid by investors who use the Investment Calculator or investors in the REITs or Single Purpose Funds.

Nonetheless, this relationship poses conflicts of interest, because, based on potential payments to Mogul Securities and its registered representatives RM Adviser may be incentivized (1) to recommend investments in the REITs or Single Purpose Funds to investors who use the Investment Calculator, and (2) to recommend investments to the REITs and or Single Purpose Funds that have been referred by Mogul Securities rather than other broker-dealers. When registered representatives are also management persons of RM Adviser, and thus have the power to influence the advice it provides, these risks are particularly acute.

Nonetheless, there are benefits to investors on the Platform, the REITs, and investors in the REITs and Single Purpose Funds based on RM Adviser's relationship with Mogul Securities. Namely, because the types of products referred by Mogul Securities to NCPS (most typically, interests in real estate-related joint ventures) are rare and unlikely to be sold through other broker-dealers, and to take advantage of the

expertise and connections to these unique investments, RM Adviser utilizes the connections and expertise of Mogul Securities and its registered representatives and its relationship with NCPS. Thus, rather than eliminate transactions referred by Mogul Securities, RM Adviser seeks to mitigate potential and actual conflicts.

To address conflicts with respect to the Investment Calculator, RM Adviser has (i) limited the employees who actively develop and maintain the Investment Calculator to those who are not registered representatives of Mogul Securities, and (ii) adopted policies requiring that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate or employee of RM Adviser. These policies mitigate the risk that the Investment Calculator will recommend investments based on benefits to Mogul Securities or its registered representatives. In addition, for the Investment Calculator, Single Purpose Funds, and the REITs, RM Adviser has adopted policies requiring any fees paid to a broker-dealer to be reasonable and no higher than normally paid for these types of services. RM Adviser also addresses conflicts of interest raised by its relationship with Mogul Securities by adopting and requiring its supervised persons to adhere to a Code of Ethics, described in more detail below, that requires it and its supervised persons to act in the best interest of their clients. Moreover, as registered representatives of Mogul Securities, these sales personnel are subject to the policies and procedures of Mogul Securities and FINRA rules, including any applicable suitability obligations.

#### *NCPS*

As noted above: (i) certain management persons of RM Adviser serve as registered representatives of NCPS. NCPS executes transactions on the Platform related to the sale of Single Purpose Funds and the REITs, and both NCPS and its registered representatives receive commissions based on those transactions; (ii) Mogul Securities may receive referral fees for referring business opportunities to NCPS. NCPS may also be entitled to a participation in the promoted interest paid by the issuer of equity opportunities into which the REITs or Single Purpose Funds, in an undetermined amount of such entity's distributable cash, after all other partners or members of such entity have been paid an agreed upon cumulative, non-compounded preferred return of at least 6%. Because the Investment Calculator may recommend Single Purpose Funds or the REITs as potential investments by users of the Investment Calculator, this relationship poses a conflict of interest, in that RM Adviser may be incentivized to recommend investments that will result in its employees receiving commissions and Mogul Securities receiving referral fees. For the same reasons, RM Adviser may be incentivized to recommend investments purchased through NCPS to the REITs and Single Purpose Funds. Because certain of NCPS' registered representatives are management persons of RM Adviser, and thus have the power to influence the advice it provides, this risk is particularly acute.

RM Adviser has addressed these conflicts with respect to the Investment Calculator by (i) limiting the employees who actively develop and maintain the Investment Calculator to those who are not registered representatives of NCPS, and adopting policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate or employee of RM Adviser. In addition, for the Investment Calculator, Single Purpose Funds and the REITs, RM Adviser has adopted policies requiring any fees paid to a broker-dealer to be reasonable and no higher than normally paid for these types of services. As discussed below, RM Adviser also has adopted and requires its supervised persons to adhere to a Code of Ethics, described in more detail below, that requires it and its supervised persons to act in the best interest of clients. Moreover, NCPS sales personnel (including registered representatives who are also supervised persons of RM Adviser) are subject to policies and

procedures of NCPS and FINRA rules, including any applicable suitability obligations.

### *RM Manager*

RM Manager, an exempt reporting adviser that has notice filed with the SEC, is the adviser to certain Single Purpose Funds available to investors who use the Investment Calculator. Because RM Manager receives certain fees associated with investments in the Single Purpose Funds, RM Adviser may have an incentive to recommend investments in the Single Purpose Funds through investors' use of the Investment Calculator, regardless of whether a Single Purpose Fund is an appropriate investment for an investor, particularly if anticipated fees payable to RM Manager are higher than those that may be received by other affiliates of RM Adviser based on alternative investments.

RM Adviser addresses these conflicts through policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate of RM Adviser. RM Adviser also addresses these conflicts of interest by adopting and requiring its supervised persons to adhere to a Code of Ethics, described in more detail below, that requires it and its supervised persons to act in the best interest of clients.

### *Realty Mogul*

**Shared Services Agreement.** RM Adviser maintains a shared services agreement with its parent Realty Mogul, the sponsor of the Platform, through which employees of Realty Mogul also perform certain activities as supervised persons of RM Adviser. The ability of RM Adviser's employees to engage in other business activities may reduce the time they and RM Adviser spend managing the Investment Calculator, Single Purpose Funds, Sponsor Entities and/or the REITs. In particular, during turbulent conditions in the mortgage industry, distress in the credit markets, or other times when RM Adviser will need focused support and assistance, the other affiliates for which these employees provide services will likewise require greater focus and attention. In such situations, RM Adviser and its clients may not receive the necessary support and assistance they require or would receive if it had employees that were solely its own. RM Adviser has addressed this issue by adopting a Code of Ethics, described below, that requires each supervised person to act in the best interests of RM Adviser's clients.

**Loan Origination and Sales.** RM Originators originates many of the loans available for purchase on the Platform which may be recommended by the Investment Calculator. RM Originators may also originate or purchase loans that are purchased by MR I. RM Originators may receive fees related to these loans, as described above under Item 5, Fees and Compensation.

This relationship creates a conflict of interest because RM Adviser may recommend loans originated by RM Originators over those from third-parties, to ensure that RM Originators receives associated fees, possibly to the detriment of investors who use the Investment Calculator and/or MR I. In addition, because MR I may purchase loans originated by RM Originators, RM Originators may have an incentive to overvalue the price of a loan and/or "dump" a loan through such sales, to the detriment of investors and/or MR I.

To address these conflicts, in the case of investors who use the Investment Calculator, RM Adviser has adopted policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate of RM Adviser. This mitigates conflicts related to providing inappropriate recommendations to investors using the Investment Calculator. Although the policy does not

necessarily mitigate the risk that RM Adviser will overvalue or “dump” loans, the Platform provides protections for potential investors through its disclosures of material terms of an investment, any performance history, and information about the underlying property, which investors use to make their own investment decisions.

With respect to MR I, RM Adviser has adopted a policy that MR I will only purchase loans from RM Originators at fair market value – generally, the principal amount of the loan. Because most loans are acquired by RM Originators and sold to MR I almost immediately, in the majority of cases this policy protects against the ability of RM Adviser to inflate a loan’s price. In certain cases, however, MR I may purchase a loan at a price different from the principal value. This occurs most frequently when loans are held by Realty Mogul beyond the first principal payment by a borrower. After that point, valuation becomes more complicated, because variables such as payment history, changes to the borrower’s financial status, and changing market conditions may also cause a loan’s value to deviate from the original cost. To address this issue, in cases where a loan is held by RM Originators beyond the first principal payment, RM Adviser requires an independent representative of MR I (“**Independent Representative**”) to review the purchase of the loan and approve or reject the transactions, unless, in any period after one or more principal payments have been made, (a) all such principal payments were timely made and (b) RM Originators forwards to MR I an amount equal to all such previously paid principal payments. To the extent that any interest payments have been previously made to RM Originators on such loans, RM Originators may retain such interest payments, and RM Originators may increase the purchase price of the loan to cover any inter-period interest payments that would otherwise be owed to RM Originators .

The Independent Representative that approves the purchase of loans is appointed by MR I and must be a third party unaffiliated with RM Originators . This approval, together with the other policies described above, serves as a check on any ability of RM Adviser to overvalue the loans and protects against RM Adviser allowing its affiliate to “dump” a low-quality loan into MRI.

**Loan Warehousing.** With respect to the REITs, in certain cases, Realty Mogul may purchase loans and hold them until the REITs are able to purchase the loan through a “warehousing” arrangement between the two entities. These transactions could raise similar conflicts of interest to those related to loans originated by Realty Mogul, discussed above – for example, RM Adviser may be incentivized to allow Realty Mogul to overprice or “dump” loans into the REITs to the disadvantage of the REITs. As a result, an Independent Representative of MR I and the Board of MR II also approve any such transactions.

**Lending to the REITs.** The REITs may also borrow funds from Realty Mogul or other affiliates including RMCC to purchase loans and other assets. Any such loans create for conflicts of interest. For example, RM Adviser may be incentivized to consent to the REITs borrowing funds from RM Originators at an above-market interest rate, which would benefit Realty Mogul while disadvantaging the REITs. To mitigate this conflict of interest, RM Adviser requires approval from MR I’s Independent Representative and the Board of MR II for any such loans.

However, MR I can accept the following loans from RM Originators without approval from its Independent Representative if the lending arrangement meets the following criteria: (i) The total of all unsecured related-party loans, in the aggregate, does not exceed \$20 million; and (ii) no outstanding related-party loan carries an interest rate that exceeds the then-current applicable prime rate under the Internal Revenue Code with respect to such loans. With respect to MR II, the Board of Directors has authorized MR

It to accept, without prior approval, loans from RM Originators that (i) do not exceed \$20 million, (ii) provide for no more than three principal payments and (iii) do not carry an interest rate that exceeds the then current applicable prime rate with respect to such loans. These conditions are designed to limit the impact of any such loans on the REITs and to ensure that the loans are in line with market practices.

### *The RM Originators*

The RM Originators are responsible for originating and/or purchasing loans and equity investments that will be offered through the Platform and/or to the REITs. This arrangement could result in the same types of conflicts described above for Realty Mogul and MR I: that is, other RM Originators could also overprice or “dump” loans into MR I, and/or RM Adviser could have an incentive to purchase these investments regardless of whether they are appropriate for MR I or Platform investors. Further, many of the loans or similar investments that RM Adviser recommends to MR I are originated by the RM Originators. In connection with these loans or investments, MR I pays servicing and administrative fees to a loan servicer, which may be RMCC, an affiliate or a third-party loan servicer. This fee is typically .50% of the principal balance of each loan or similar investment. The servicing fee is calculated as an annual percentage of the stated value of the asset and is deducted at the time that payments on the asset are made. The fee is deducted in proportion to the split between accrued and current payments. MR I also typically pays a 1% special servicing fee on the original value of a loan or investment to the servicer, in addition to other out-of-pocket expenses payable to third parties such as legal fees or foreclosure expenses, in the event that it is deemed to be a non-performing asset by RM Adviser. These conflicts are addressed through the same types of policies described above with respect to Realty Mogul’s role originating and selling loans recommended by RM Adviser, which also apply to loans purchased from the other RM Originators.

In cases where the RM Originators originate or purchase investment opportunities that could be allocated to either the Platform or the REITs, RM Adviser and its affiliates may have an incentive to determine allocation based on the relative size of the fees to be paid to the RM Originators in each instance. To address this conflict, RM Adviser intends to allocate equity investment opportunities, excluding preferred equity, in amounts under \$1,500,000 to the Platform. All other investment opportunities (e.g., debt and preferred equity investments of any amount, and equity investments of \$1,500,000 or more) will first be made available to any REIT managed by RM Adviser based on the applicability of each investment opportunity to the investments policies (including targeted asset class) of the various REITs. RM Adviser will further allocate investment opportunities among the REITs based on: the diversification and current asset concentration of each entity; the amount of capital available to each entity at the time an investment is presented; and other similar factors. To the extent that, based on these factors, an investment opportunity is an appropriate investment for more than one of the REITs, RM Adviser’s investment committee will allocate the new investment opportunity to a REIT based on which entity has gone the longest period of time without making an investment. Investment opportunities that are not allocated to any REIT managed by RM Adviser may be made available to other investors through the Platform.

Although this policy means that certain investments are available on the Platform – and thus to users of the Investment Calculator – only after they are available to the REITs, we believe this policy is consistent with RM Adviser’s general strategy of providing users of the Investment Calculator non-discretionary advice, while providing discretionary advice to the REITs. Investors who use the Investment Calculator have the ability to review information about potential investments before investing in them, whereas investors in the REITs do not.

### *Realty Mogul Commercial Capital Co.*

RMCC, a licensed real estate sales broker, as a wholly-owned subsidiary of Realty Mogul, is a commonly controlled affiliate of RM Adviser and is material to RM Adviser's advisory business because RMCC may receive buyer's broker fee ranging between 1%-3% of the contract purchase price paid upon the acquisition of underlying real estate property and/or a seller's broker fee ranging between 0%-2% of the contract sales price paid upon the sale of underlying real estate property. RMCC may also receive an origination fee of 1.00-2.50% of the amount funded for originating a commercial real estate loan that is sold to the MR I. RMCC may also receive an origination fee of 1.00-2.50% of the amount funded for making a preferred equity investment that is sold to MRI or MRII. In addition, RMCC may be entitled to any extension fees, exit fees, prepayment fees or default interest by the borrower. Additionally, RMCC or another affiliated entity or individual of RM Adviser may personally guarantee loans related to the acquisition of the underlying real estate property purchased by the Sponsor Entity. In return, that affiliated entity or individual, including Jilliene Helman, an officer of RM Adviser, may receive a loan guarantee fee up to 1% of the loan amount. Because the Investment Calculator may recommend Single Purpose Funds or the REITs as potential investments by users of the Investment Calculator, this relationship poses a conflict of interest, in that RM Adviser may be incentivized to recommend investments acquired or sold through RMCC to the REITs and Single Purpose Funds.

Further, from time to time, a Single Purpose Fund or Sponsor Entity in which the REITs invests or that issues equity may pay RMCC: (i) a financing coordination fee and credit guarantee fee up to 2.00% of the financing for services provided in connection with arranging debt or a credit guarantee, post-acquisition financing or refinancing; and, (ii) an asset management fee, in the amount of 1.50% of the REIT's pro-rata share of the gross revenues of a particular property, paid by the issuer of equity opportunities into which the REIT invests, in the event that RMCC provides property-level asset management services. A portion of these fees may be paid to personnel affiliated for their roles in the investment opportunity including Jilliene Helman and Michael Schoellhammer, officers of RM Adviser. The following fees will be paid by the particular Single Purpose Fund or Sponsor Entity and not by the REITs. The actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash. These fees may reduce the amount of funds that are invested in the underlying real estate or the amount of funds available to pay distributions to, thereby reducing the REIT's returns in that particular investment.

RM Adviser addresses these conflicts through policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate or employee of RM Adviser. In addition, for the Investment Calculator, Single Purpose Funds and the REITs, RM Adviser has adopted policies requiring any fees paid to a licensed real estate sales broker to be reasonable and no higher than normally paid for these types of services.

### *RM Sponsor*

RM Sponsor, as a wholly-owned subsidiary of Realty Mogul, is a commonly controlled affiliate of RM Adviser and is material to RM Adviser's advisory business because it is the sponsor of the REITs. RM Sponsor does not receive any fees in this role. We do not believe this relationship raises any conflicts of interest.

## *RM Technologies*

RM Sponsor, as a wholly-owned subsidiary of Realty Mogul, is a commonly controlled affiliate of RM Adviser and is material to RM Adviser's advisory business because it operates an online investment platform, *www.realtymogul.com*, which is referred to as the Realty Mogul Platform in our offerings. With the exception of offering our shares online through select RIA partners, our offerings are offered exclusively through the Realty Mogul Platform. We do not pay RM Technologies, LLC any sales commissions or other remuneration for hosting offerings on the Realty Mogul Platform. We do not believe this relationship raises any conflicts of interest.

### Recommendation of Other Investment Advisers

RM Adviser does not recommend other investment advisers to clients for which it receives any direct or indirect compensation.

In certain cases, RM Adviser recommends to investors who use the Investment Calculator Single Purpose Funds that are advised by RM Manager, which could raise conflicts of interest related to the fees received by RM Manager. Namely, RM Adviser could be incentivized to recommend investments that will result in its affiliate receiving additional fees. However, as discussed above, RM Adviser has adopted policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate of RM Adviser.

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

#### Code of Ethics Adopted Pursuant to Rule 204A-1

RM Adviser has adopted a Code of Ethics ("**Code**") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 ("**Advisers Act**"). The Code sets forth certain standards for employees of RM Adviser ("**Supervised Persons**"), including those who work for RM Adviser under the shared services agreement with Realty Mogul. Among other policies, the Code of Ethics includes a personal trading policy ("**Personal Trading Policy**") and an insider trading policy ("**Insider Trading Policy**") as described below. In addition, the Code requires disclosure by the RM Adviser's personnel of conflicts of interest with respect its clients, and establishes policies regarding other matters, such as giving or receiving gifts and entertainment.

Under appropriate circumstances, the RM Adviser's Chief Compliance Officer may grant waivers of certain provisions of the Code to one or more Supervised Persons. In such circumstances, RM Adviser will endeavor to establish adequate controls regarding the activities of Supervised Persons to comply with the principles set forth in the Code.

The Code has been adopted in recognition of RM Adviser's fiduciary duty to place the interests of its clients before the interests of RM Adviser and its employees, which must be upheld, in part, by addressing both actual and perceived conflicts of interest. The Code is intended to promote ethical conduct, provide guidelines and reporting requirements to help ensure compliance by RM Adviser and Supervised Persons with applicable federal and state securities laws and regulations, and reinforce the fiduciary principles that govern the conduct of RM Adviser and its Supervised Persons.

RM Adviser will provide a copy of the Code to any client, prospective client, or investor or prospective



investor in the REITs or Single Purpose Funds managed by RM Adviser upon written request to the Chief Compliance Officer, 10780 Santa Monica Blvd., Suite 140, Los Angeles, CA 90025.

#### *Personal Trading Policy*

While clients and Supervised Persons may invest, or may have already invested, in obligations and/or other securities that are identical to or senior to, or have interests different from or adverse to, eligible client investments, the Code includes certain provisions regarding transactions in certain securities (“**Reportable Securities**”) and other investments by Supervised Persons. The Code, among other things, prohibits the purchase and sale by Supervised Persons for their own account of Reportable Securities that are purchased by RM Advisers’ clients. It requires Supervised Persons to pre-clear the purchase or sale of Reportable Securities, including transactions in initial public offerings and limited offerings or private placement securities. Requests for trading authorization will be denied when, among other reasons, the proposed personal transaction would be contrary to the provisions of the Code. Supervised Persons are required to provide initial and annual reports of holdings of Reportable Securities and quarterly reports of transactions involving Reportable Securities. Transactions in Reportable Securities are reviewed for compliance with the Code. If a personal securities holding, outside affiliation or other arrangement creates a material conflict of interest with respect to the interests of RM Adviser’s clients, RM Adviser may require the affected Supervised Person to recuse themselves from involvement with related transactions or impose other restrictions to mitigate the conflict.

#### *Insider Trading Policy*

RM Adviser may, from time-to-time, come into possession of material, nonpublic and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, RM Adviser and Supervised Persons are prohibited from improperly disclosing or using this information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory client. Accordingly, should RM Adviser and/or Supervised Persons come into possession of material, nonpublic or other confidential information with respect to any company, issuer or security, they may be prohibited from communicating such information to, or using such information for the benefit of, their respective clients. RM Adviser and Supervised Persons have no obligation to disclose the information to or use such information for the benefit of clients. RM Adviser and Supervised Persons also do not have any responsibility or liability for failing to disclose such information to clients as a result of following RM Adviser’s policies and procedures designed to ensure that RM Adviser and its Supervised Persons comply with their obligations with respect to such information.

The Code establishes procedures to prevent the misuse of material nonpublic information by all of RM Adviser’s employees, officers, directors and other Supervised Persons. Any member, officer, director, or employee of RM Adviser or other Supervised Person who fails to observe the above-described policies risks serious sanctions, including dismissal and personal liability.

#### Participation or Interest in Client Transactions

As described in Item 4, a link provided at the bottom of the results page provides investors the opportunity to browse available real estate investments on the Platform. These investments include (i) equity interests in Single Purpose Funds managed by RM Adviser or RM Manager, LLC (“RM Manager”), an affiliate of RM

Adviser, and (ii) equity interests in the REITs managed by RM Adviser, described in more detail below. Only investors who are accredited investors (as defined in Regulation D under the Securities Act of 1933 (the “Securities Act” and “Regulation D”)) have access to Single Purpose Funds or other investment opportunities offered as private placements pursuant to Regulation D. Although investors who use the Investment Calculator are free to follow the advice provided by investing off the Platform, the recommendations are limited to the types of real estate-related investments available on the Platform.

The fact that we only recommend investments managed by RM Adviser or RM Manager, is a conflict of interest. You are not obligated to invest in recommended investments and will be solely responsible for making any decision on whether to invest in an RM Adviser or RM Manager managed product.

Because our recommendation that investors invest in RM Adviser or RM Manager managed products is an inherent conflict of interest that cannot be completely overcome, we strongly encourage all investors consult with legal counsel, an accountant, a third-party investment adviser not affiliated with RM Adviser, or any other financial professional of the investor’s choosing who is not affiliated with RM Adviser or an RM Adviser affiliated company for a “second opinion” before investing in RM Adviser or RM Manager managed product.

The REITs, which are managed by RM Adviser, make investments into Single Purpose Funds or Sponsor Entities that are also managed by RM Adviser. As a result, RM Adviser is compensated, and certain officers of RM Adviser are also compensated. Because our recommendation that Clients of RM Adviser invest in RM Adviser managed products is an inherent conflict of interest that cannot be completely overcome, we strongly encourage all investors consult with legal counsel, an accountant, a third-party investment adviser not affiliated with RM Adviser, or any other financial professional of the investor’s choosing who is not affiliated with RM Adviser or an RM Adviser affiliated company for a “second opinion” before investing in RM Adviser managed product. We also disclose this conflict in our offering documents and disclose fees paid in publicly filed REIT supplements.

#### *Compensation Based on Transactions by Users of the Investment Calculator and the REITs*

As discussed above, RM Adviser recommends that users of the Investment Calculator and/or the REITs purchase investments that result in fees being paid to RMCC, Mogul Securities, RM Manager, NCPS, registered representatives of Mogul Securities or NCPS who are also supervised persons of RM Adviser, and other affiliates. RM Adviser mitigates these conflicts of interest using the policies described in Items 5 and 10.

#### *Advances to the REITs*

RM Adviser or an affiliated entity may, from time-to-time and in limited circumstances, advance funds to the REITs as necessary for the REITs to pay their operating expenses and/or satisfy margin calls or other financing needs. Any such advances by RM Adviser or an affiliated entity will not be included in the REITs’ assets under management for purposes of calculating fees for asset management services. RM Adviser also does not receive any interest with respect to such advances, but RM Adviser is generally entitled to seek reimbursement at times when the REITs have sufficient working capital and the payment of such reimbursement would not require, by itself, the REITs to liquidate any of their investments.

RM Adviser’s right to be repaid any outstanding advances is senior in priority to the REITs’ investors’ distribution rights. Such advances are at RM Adviser’s or its affiliates’ sole discretion, and there can be no assurance that RM Adviser or its affiliates will continue to provide such advances. If RM Adviser is unwilling or

unable to make such advances in the future, then it may be required to seek other sources of funds in order to meet its financing needs and may be required to pay interest on such funds.

This is not to be confused with loans that are made to the REITs by an affiliate of RM Adviser, RMCC, who is paid interest on those loans.

#### *Investments by Single Purpose Funds alongside the REITs*

The Single Purpose Funds advised by RM Adviser or RM Adviser's affiliate, RM Manager, may, from time to time, invest in the same securities that are recommended to and/or invested in by the REITs. If the fees that will be received by RM Adviser or RM Manager based on investments in securities by the Single Purpose Fund, on the one hand, would be greater or less than the fees that will be received by RM Adviser based on investments by the REITs, on the other, RM Adviser may have an incentive to allocate more investments to one set of investors over another, regardless of whether that allocation is in the best interest of the REITs as their client.

To mitigate these conflicts, RM Adviser has adopted policies requiring the REITs to receive first priority to purchase any potential equity investment exceeding \$1,500,000, provided the REITs have available capital and the transaction meets the REITs investment criteria. As discussed above, once RM Adviser determines the amount of an investment that, in its discretion, is appropriate for the REITs to purchase, any remaining interests may be offered for investment by a Single Purpose Fund on a "best efforts" basis. In no event would the REITs' ability to purchase the interests allocated by RM Adviser be contingent upon whether the sale of the remaining piece through a Single Purpose Fund is successful.

Because investments are made available to the Platform only after they are available to the REITs, investors who use the Investment Calculator may or may not ever have the opportunity to invest in a Single Purpose Fund investing in the same equity interests as the REITs. As discussed above, this policy is consistent with RM Adviser's general strategy of providing users of the Investment Calculator non-discretionary advice regarding only those investments made available through the Platform.

### **Item 12: Brokerage Practices**

#### Selection of Broker-Dealers

The main factor that RM Adviser considers in choosing a broker-dealer is access to investment opportunities appropriate for the REITs or Single Purpose Funds. Given the nature of the investments offered through the Platform, and those in which the REITs seek to invest, RM Adviser seeks access to investment opportunities that are not sold through many broker-dealers and are often only sold through one. Especially in light of RM Adviser's relationship to NCPS and Mogul Securities, many of the investments recommended to the REITs or Single Purpose Funds are available and executed through NCPS. These specific investment opportunities are typically not available through another source, and RM Adviser believes that the access to deal flow made possible through this relationship represents an advantage to its clients.

Although this arrangement could raise conflicts of interest, including those related to payment of broker-dealer fees and commissions paid in connection with the transactions, described in Items 5 and 10, these fees are paid by issuers and not by investors who use the Investment Calculator, investors in the REITs, investors in the Single Purpose Funds, Single Purpose Funds or the REITs. However, to the extent such a fee

is paid by an issuer of an investment, the fee will reduce the amount of funds that such issuer will have available to pay dividends to equity holders, reducing investor returns in that investment.

RM Adviser does not select broker-dealers for any other investments made through the Platform, such as Single Purpose Funds managed by RM Manager. Those selections are made by Realty Mogul and RM Manager, as applicable.

#### Research, Other Soft-Dollar Arrangements and Directed Brokerage

RM Adviser does not receive research or other products and services other than execution from broker-dealers. RM Adviser also does not engage in directed brokerage practices.

#### Aggregation of Client Transactions

RM Adviser does not aggregate orders for any clients.

### **Item 13:           Review of Accounts**

#### Users of the Investment Calculator

RM Adviser does not have access to information regarding the investment accounts of users of the Investment Calculator, and therefore does not review those accounts or provide any reports to users of the Investment Calculator.

#### The REITs

Ongoing review of the REITs' accounts is typically performed by RM Adviser's Investment Committee. This review typically occurs on a quarterly basis. The Investment Committee analyzes whether investments are performing as anticipated; highlights any positive or negative information related to investments; and takes any necessary action based on its analysis. In addition to formal quarterly reviews, RM Adviser periodically reviews investments of the REITs on a more frequent basis to consider financing opportunities and sales opportunities, or to develop additional asset management strategies for the investments. In cases where market conditions (e.g., a drop in real estate prices, generally or in a particular region) or information received by RM Adviser regarding particular investments or groups of investments suggest that the REITs' investments should be reconsidered, RM Adviser may engage in review outside regularly scheduled reviews.

RM Adviser delivers audited financial statements to investors in the REITs on an annual basis within 120 days of the REITs' fiscal year end. In addition, consistent with the requirements of Regulation A, RM Adviser provides investors periodic written updates required by the SEC on the performance of the REITs, including annual and semi-annual reports, current event reports for specified material events within four business days of their occurrence; supplements to the REITs' respective offering circulars, in the event there are material changes to it; quarterly pricing supplements, quarterly information statements; and any other reports filed or furnished to the SEC. All reports are available through the SEC's website, as well as on the Platform. As periodic updates become available, investors will receive email messages with instructions on how to retrieve them.

#### The Single Purpose Funds and Sponsor Entities managed by RM Adviser

Ongoing review of the accounts of Single Purpose Funds advised by RM Adviser will be performed by RM Adviser's Investment Committee. This review will typically occur on a quarterly basis. The Investment Committee will analyze whether investments are performing as anticipated; highlight any positive or negative information related to investments; and take any necessary action based on its analysis.

RM Adviser will deliver audited financial statements to investors in the Single Purpose Funds advised by RM Adviser 120 days after the Single Purpose Funds fiscal year-end.

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

RM Adviser does not currently have in place any arrangements through which third parties provide compensation for RM's investment advice or advisory services to its clients. RM Adviser does have an affiliate marketing program whereby certain websites, platforms, and bloggers prepare and distribute content focused on a particular financial market or a target demographic or affinity group to promote RM's investments in return for payments of sponsorship, advertising, lead generation fees, and/or other payments for client referrals. RM Adviser exercises no editorial control over the content produced by affiliate marketers.

#### **Item 15: Custody**

##### Users of the Investment Calculator

RM Adviser does not have custody of the assets of advisory clients who are users of the Investment Calculator.

##### The REITs

RM Adviser has custody of the assets of the REITs and utilizes the services of a bank to hold all cash assets of the REITs. The Firm currently relies on the annual financial statement alternative. Form 1-SA and Form 1-K for both Fund Clients were satisfied and filed with the SEC respectively and investors of each Fund Client received access to the audited financial statements for the preceding fiscal year.

#### Single Purpose Funds/Sponsor Entities managed by RM Adviser

RM Adviser has custody of the assets of the Single Purpose Funds and Sponsor Entities and utilizes the services of a bank to hold all cash assets. The Firm currently intends to audit each of these entities and provide audited financial statements.

#### **Item 16: Investment Discretion**

##### Users of the Investment Calculator

RM Adviser provides investment advisory services to Platform investors who use the Investment Calculator on a non-discretionary basis.

### The REITs and Single Purpose Funds

RM Adviser provides investment advisory services to the REITs and Single Purpose Funds on a discretionary basis, based on the authority provided to RM Adviser as manager under MR I's operating agreement, MR II's management agreement, and each Single Purpose Funds' operating agreement respectively. RM Adviser is subject to certain restrictions on its management of the REITs, including those related to the REITs' status as a REIT and/or reliance on an exemption from the Investment Company Act, as well as the investment strategy and objectives described in the REITs' respective offering circulars.

### **Item 17:           Voting Client Securities**

#### Users of the Investment Calculator

RM Adviser does not have the authority to vote securities on behalf of investors who use the Investment Calculator.

### The REITs and Single Purpose Funds and Sponsor Entities

While RM Adviser has the authority to vote securities on behalf of the REITs and Single Purpose Funds and Sponsor Entities, RM Adviser is rarely if ever involved in proxy voting, because the assets of the REITs and Single Purpose Funds and Sponsor Entities are generally invested in privately negotiated and owned real estate and equity investments, rather than publicly traded securities or other instruments that involve proxy voting. On occasion, the REITs and/or Single Purpose Funds/Sponsor Entities may invest in equity investments that provide voting rights regarding certain matters. In the event RM Adviser receives proxies in connection with such investments, it is RM Adviser's policy to exercise the proxy vote in the best interest of the REITs and/or Single Purpose Funds/Sponsor Entities, taking into consideration all relevant factors, including without limitation acting in a manner that we believe will maximize economic benefits to the REITs or Single Purpose Funds/Sponsor Entities and promote sound corporate governance by the issuer. RM Adviser seeks to avoid material conflicts of interest between its own interests on the one hand, and the interests of the REITs and/or Single Purpose Funds/Sponsor Entities and underlying investors on the other. However, if we determine that such conflicts exist, or may be perceived to exist, when voting a proxy, we will address such matters on a case- by-case basis in a fair and equitable manner, subject to legal, regulatory, contractual or other applicable considerations. Upon written request, RM Adviser will advise investors in the REITs and/or Single Purpose Funds/Sponsor Entities about how it voted on any matter. Investors may obtain a copy of RM Adviser's proxy voting policies and procedures upon request.

### **Item 18:           Financial Information**

Because RM Adviser does not require or solicit prepayment of fees six months in advance, RM Adviser is not required to provide a balance sheet for RM Adviser's most recent fiscal year.

RM Adviser does not believe that there are any current financial conditions that are reasonably likely to impair its ability to meet contractual commitments to users of the Investment Calculator or the REITs. RM Adviser has not been the subject of a bankruptcy petition or proceeding at any time in the past ten years.