

Prospect Credit REIT Advisor, LLC

FORM ADV PART 2A

Firm Brochure

April 29, 2024

This brochure (“Brochure”) provides information about the qualifications and business practices of the Advisor. If you have any questions about the contents of this Brochure, please contact us at (212) 448-0702 or mkirschenbaum@npreitcorp.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 the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

The Adviser is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise, or training in providing advisory services to its clients.

The use of “we”, “our” or “us” in the Brochure refers to, as applicable, the Prospect Credit REIT Advisor, LLC (the “Advisor”) or Prospect Credit REIT, Inc. (“PCRED”). PCRED is an investment fund advised by the Advisor.

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Item 2 - Material Changes

Not applicable. This is Prospect Credit REIT Advisor, LLC's initial Brochure.

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Item 4 – Advisory Business

Prospect Credit REIT, Inc. (“PCRED” or the “Company”) is a recently-formed Maryland corporation that intends to qualify as a REIT for federal income tax purposes. PCRED is the first investment fund to be managed by the Advisor. Prospect Credit REIT Advisor, LLC (the “Advisor”) is owned by Prospect Capital Management L.P. (“PCM”), the advisor to Prospect Capital Corporation (“PSEC”), a publicly-traded BDC that has approximately \$7.8 billion in gross assets and (i) through affiliates, is the advisor to Priority Income Fund, a registered closed-end fund that has approximately \$969 million in total assets, and (ii) directly, is the advisor to Prospect Floating Rate and Alternative Income Fund, Inc., a business development company that has approximately \$23 million in total assets.

PCM and its predecessor investment management companies commenced business in 1988 when several senior executives who managed the merchant bank and high yield units of Merrill Lynch formed Prospect Street Investment Management, succeeded by PCM today (together with PSEC, “Prospect”). Since 1988, Prospect has specialized in a wide range of private debt and equity investments, including first and second lien loans, subordinated and mezzanine loans, growth and venture capital, and leveraged buyouts. PCM has made investments through multiple business and credit cycles and across a diversity of segments of the capital structure.

The Advisor expects to leverage PCM’s experience, national footprint and origination platform in connection with its management of PCRED. For example, National Property REIT Corp (“NPRC”) is a wholly-owned portfolio company of PSEC. Spanning NPRC’s first acquisition in 2012 through December 31, 2023, NPRC’s investments have a collective aggregate initial property purchase price of approximately \$3.8 billion, principally in multifamily real estate and, to a lesser extent, in self-storage, student housing and senior housing. More broadly, PCM has over 140 total employees, including over 60 investment professionals across the platform, and has fully integrated investment, capital markets, portfolio management, restructuring and operations teams. NPRC’s two Managing Directors have an average of 43 years of experience in real estate investment management, including mortgage loans, mezzanine loans, preferred equity, equity, commercial mortgage-backed securities (“CMBS”), collateralized loan obligations (“CLOs”), and other real estate investments.

The Advisor expects to directly or indirectly invest the assets of PCRED in real estate-related credit investments, including (i) first mortgages on commercial real estate properties, (ii) other commercial real estate loans, including subordinated loans, or B-notes, mezzanine loans, and loan participations; (iii) preferred equity investments in commercial real estate; and (iv) commercial real estate securities, including CMBS, residential mortgage-backed securities, or RMBS, unsecured debt of listed and non-listed REITs, collateralized loan obligations and equity or equity-linked securities. The Advisor intends to emphasize investments of PCRED assets in lower volatility property types: multifamily and other residential real estate, self-storage, industrial, and net lease properties. To a lesser extent, the Advisor may invest PCRED assets in warehouse facilities or other lines of credit secured by commercial or residential mortgages, secured or unsecured loans to commercial real estate companies, portfolios of single-family home mortgages, and credit-like net lease equity investments. The Advisor may invest up to 25% of PCRED assets

in direct or joint venture investments in value-add or distressed real estate properties that do not entail a debt or credit component.

Pursuant to the terms of its Advisory Agreement with PCRED (the “Advisory Agreement”), the Advisor is responsible for providing the following services, among other things: (i) managing the development of the initial private offering of Class F shares of PCRED (the “Initial Private Offering”), PCRED’s expected registered initial public offering (“Initial Public Offering”) and any subsequent or simultaneous offering approved by PCRED’s Board of Directors (the “Board”), including the determination of the specific terms of the securities to be offered by PCRED, preparation of all offering and related documents, and obtaining all required regulatory approvals of such documents; (ii) serving as PCRED’s investment and financial advisor and obtaining certain market research and economic and statistical data in connection with PCRED’s investments and investment objectives and policies; (iii) identifying potential opportunities for investments consistent with PCRED’s investment objectives and policies, including but not limited to, locating, analyzing and selecting potential investments, structuring and negotiating the terms and conditions of acquisition and disposition transactions, and arranging financing and refinancing or other changes in the asset or capital structure of the Company; (iv) negotiating terms associated with acquisition and disposition transactions and arranging and executing financing agreements; (v) providing financial and operational planning services and investment portfolio management functions; (vi) evaluating and recommending to the Board hedging strategies and causing PCRED to engage in hedging strategies consistent with PCRED’s status as a REIT and PCRED’s investment policies approved by the Board; (vii) investigating, selecting and on behalf of PCRED, engaging and conducting business with such persons as the Advisor deems necessary to the proper performance of its obligations under the Advisory Agreement, including but not limited to consultants, accountants, lenders, technical advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, developers, construction companies, contractors, sub-contractors and any and all persons acting in any other capacity deemed by the Advisor necessary or desirable for the performance of any of the foregoing services; (viii) monitoring and evaluating the performance of PCRED’s investments, providing daily management services to PCRED and performing and supervising the various management and operational functions related to our investments; (ix) providing accounting and administrative services, including but not limited to, the performance of administrative functions required for PCRED’s day-to-day operations, including the calculation at the end of each business day of PCRED’s monthly NAV value; and (x) managing PCRED’s communications with its stockholders, including answering phone calls, preparing and sending written and electronic reports and other communications.

The Advisor tailors its advisory services to the specific investment objectives and restrictions of PCRED pursuant to the investment guidelines and restrictions set forth in PCRED’s confidential private placement memorandum for its Initial Private Offering, the prospectus for any future Initial Public Offering, the Advisory Agreement, and other governing documents (collectively, the “Governing Documents”). Investors in PCRED (“Stockholders”) should refer to the applicable Governing Documents for complete information on the investment objectives, investment restrictions and risks.

In accordance with common industry practice, the Advisor or an affiliate may enter into side letters or similar agreements pursuant to which certain Shareholders are granted specific rights, benefits, or privileges (including, without limitation, discounts to, sharing of and/or waiver of, as applicable, management fees, performance allocations, performance hurdles, minimum investment amounts, co-investment opportunities, and other rights or terms, including those that may be requested in light of particular investment, legal, regulatory or public policy characteristics of a Shareholder). These rights, benefits or privileges are not always made available to all Shareholders. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents and applicable law.

The Advisor expects that it will begin managing the net proceeds from the Initial Private Offering on a discretionary basis on a date that is shortly after the effective date of this Brochure. The Advisor does not expect to manage any client assets on a non-discretionary basis.

Item 5 – Fees and Compensation

All Stockholders and prospective Stockholders should carefully review the Governing Documents in conjunction with this brochure for complete information on the fees and compensation payable with respect to the advisory services the Advisor provides to PCRED, as well as the other fees and expenses Stockholders will pay to invest in PCRED.

PCRED will pay the Advisor and its affiliates certain amounts for assisting PCRED during the Initial Private Offering stage, as well as during PCRED's expected Initial Public Offering. A summary of such fees and compensation, divided by stage, is provided below.

Fees and Compensation during Initial Private Offering

Dealer Manager Fee. During its initial private offering PCRED will have a single class of shareholders who will own Class F Shares. There will be no management or incentive fees paid by the Class F shareholders.

There will be a dealer manager fee of 0.20% charged on the Class F Shares paid by PCRED, the Advisor or an affiliate of the Advisor. The Advisor or its affiliate may be reimbursed for the dealer manager fee with proceeds from a future registered offering. At a later date the Advisor expects to register PCRED under the Securities Exchange Act of 1933 (the "Securities Act") and to create additional share classes. These share classes may bear fees not borne by Class F shareholders.

Organization and Offering Expenses. PCRED will reimburse the Advisor for any organization and offering expenses that the Advisor has advanced or incurred on PCRED's behalf, up to a cap of 0.75% of gross proceeds raised in PCRED's offering. These expenses include legal, accounting, printing, mailing and filing fees and expenses, due diligence expenses of participating broker-dealers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of PCRED's transfer agent, fees to attend retail seminars sponsored by participating broker-dealers and reimbursements for customary

travel, lodging, and meals, but exclude selling commissions, dealer manager fees and stockholder servicing fees.

Fees and Compensation during Initial Public Offering

Operating Expenses. PCRED will reimburse any operating expenses paid by or on behalf of the Advisor or its affiliates, subject to the 2%/25% limitation that will be included in PCRED's charter, which is expected to be amended and restated prior to the commencement of the Initial Public Offering. The 2%/25% limitation specifies that operating expenses (including the advisory fees) during any four consecutive fiscal quarters cannot exceed the greater of (i) 2% of PCRED's average invested assets or (ii) 25% of PCRED's net income, unless the excess amount is approved by a majority of PCRED's independent directors. PCRED will not reimburse the Advisor for any services for which it receives a separate fee.

Base Management Fee. PCRED will not pay the Advisor a management fee with respect to the Class F Shares offered during the Initial Private Offering. Once PCRED commences its Initial Public Offering, management fees will be charged on other share classes.

PCRED will pay the Advisor a base management fee equal to 1.25% of PCRED's NAV per annum for any shares sold in PCRED's Initial Public Offering and any subsequent public offering, payable quarterly and in arrears. The payment of all or any portion of the base management fee accrued with respect to any quarter may be deferred by the Advisor, without interest, and may be taken in any such other quarter as the Advisor may determine. In calculating the base management fee, the Advisor will use PCRED's NAV before giving effect to accruals for such management fee, and any stockholder servicing fees or distributions payable on PCRED's shares.

Performance Fee. PCRED will not pay the Advisor a performance fee with respect to the Class F Shares offered during the Initial Private Offering. Once PCRED commences its Initial Public Offering, performance fees will be charged on other share classes to the extent they have been earned by the Advisor.

The performance fee will be calculated and payable quarterly in arrears in an amount equal to 10.0% of PCRED's Core Earnings (as defined below) for the immediately preceding quarter, subject to a hurdle rate, expressed as a rate of return on adjusted capital, equal to 1.625% per quarter, or an annualized hurdle rate of 6.5%. As a result, the Advisor does not earn a performance fee for any quarter until PCRED's Core Earnings for such quarter exceed the hurdle rate of 1.625%. For purposes of the performance fee, "adjusted capital" means cumulative net proceeds generated from sales of PCRED's common stock (including proceeds from its distribution reinvestment plan) reduced for distributions from non-liquidating dispositions of PCRED's investments paid to stockholders and amounts paid for share repurchases pursuant to PCRED's share repurchase program. Once PCRED's Core Earnings in any quarter exceed the hurdle rate, the Advisor will be entitled to a "catch-up" fee equal to the amount of Core Earnings in excess of the hurdle rate, until PCRED's Core Earnings for such quarter equal 1.806%, or 7.222% annually, of adjusted capital. Thereafter, the Advisor is entitled to receive 10.0% of PCRED's Core Earnings.

For purposes of determining the performance fee, “Core Earnings” means: the net income (loss) attributable to stockholders of all shares other than Class F shares, computed in accordance with GAAP, including realized gains (losses) not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) the performance fee, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items, in each case after discussions between the Advisor and PCRED’s independent directors and approved by a majority of such independent directors.

Expense Reimbursements. In addition to the base management fee and performance fee, PCRED will pay directly or reimburse the Advisor or its affiliates for all of the expenses paid or incurred by the Advisor or its affiliates on behalf of PCRED or in connection with the services provided to the PCRED pursuant to Advisory Agreement, including, but not limited to: (i) all organization and offering expenses (which include any and all costs and expenses incurred by or on behalf of PCRED and to be paid from the assets of PCRED in connection with the formation of PCRED and the qualification and registration of an offering, and the marketing and distribution of shares, including, without limitation, total underwriting and brokerage discounts and commissions (including fees of the underwriters’ attorneys), expenses for printing, preparing and amending registration statements or supplementing prospectuses, mailing and distributing costs, salaries of employees while engaged in sales activity, telephone and other telecommunications costs, all advertising and marketing expenses, charges of transfer agents, registrars, trustees, escrow holders, depositories and experts and fees, expenses and taxes related to the filing, registration and qualification of the sale of the shares under federal and state laws, including taxes and fees and accountants’ and attorneys’ fees); provided, however, that the Advisor, or an affiliate of the Advisor shall be responsible for the payment of PCRED’s organization and offering Expenses, selling commissions, dealer manager fees and stockholder serving fees, as applicable, and PCRED shall not reimburse the Advisor for any individual retirement account custodian fees that the Advisor pays on behalf of Stockholders; (ii) acquisition expenses (which include any and all expenses incurred by PCRED, the Advisor or any of its affiliates in connection with the selection or acquisition of any investments, whether or not acquired or originated, as applicable, including, without limitation, legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on properties or other investments not acquired, accounting fees and expenses, title insurance premiums and the costs of performing due diligence) incurred in connection with the selection, evaluation and acquisition of investments, including such expenses incurred related to assets pursued or considered but not ultimately acquired by PCRED, provided that the payment of acquisition expenses by PCRED is subject to the limitations contained in PCRED’s charter; (iii) disposition expenses (which include any and all expenses incurred by PCRED, the Advisor or any of its affiliates in connection with disposing of PCRED’s investments, including, without limitation, legal fees and expenses, travel and communications expenses, costs of appraisals, accounting fees and expenses and the costs of performing due diligence incurred in connection with disposing of investments; (iv) the actual out-of-pocket cost of goods and services used by PCRED and obtained from entities not affiliated with the Advisor;

(v) interest and other costs for borrowed money or securitization transactions, including discounts, points and other similar fees; (vi) taxes and assessments on income or properties, taxes as an expense of doing business and any other taxes otherwise imposed on PCRED and its business, assets or income; (vii) out-of-pocket costs associated with insurance required in connection with the business of PCRED or by its officers and Board; (viii) expenses of managing, improving, developing, operating and selling investments owned, directly or indirectly, by PCRED, as well as expenses of other transactions relating to such investments, including but not limited to prepayments, maturities, workouts and other settlements of investments; (ix) all out-of-pocket expenses in connection with payments to the Board and meetings of the Board and Stockholders; (x) personnel and related employment costs incurred by the Advisor, or its Affiliates in performing the Advisor's obligations under the Advisory Agreement, including but not limited to reasonable salaries and wages, benefits and overhead of all employees directly involved in the performance of such services, provided that no reimbursement shall be made for costs of such employees of the Advisor or its affiliates to the extent that such employees are executive officers of PCRED; (xi) out-of-pocket expenses of providing services for and maintaining communications with Stockholders, including the cost of preparation, printing, and mailing annual reports and other Stockholder reports, proxy statements and other reports required by governmental entities; (xii) Audit, accounting and legal fees, and other fees for professional services relating to the operations of PCRED and all such fees incurred at the request, or on behalf of, the Board or any other committee of the Board; (xiii) Out-of-pocket costs for PCRED to comply with all applicable laws, regulations and ordinances; (xiv) expenses connected with payments of distributions made or caused to be made by PCRED to the Stockholders; (xv) expenses of organizing, redomesticating, merging, liquidating or dissolving PCRED or of amending the charter or the bylaws of PCRED

Origination Fees. PCRED expects that origination fees paid by borrowers for first lien, subordinated or mezzanine debt or preferred equity financing will be paid directly to PCRED.

Fees from Other Services. If deemed advisable and in the best interests of PCRED and its Stockholders, PCM can appoint the Advisor or its affiliates to perform necessary services relating to PCRED's investments or operations, including capital markets restructuring services, valuation services, special servicing, property oversight and other property management services, as well as services related to mortgage servicing, group purchasing, healthcare, consulting/brokerage, capital markets/credit origination, loan servicing, property, title and other types of insurance, management consulting and other similar operational matters. Any fees paid to the Advisor or its affiliates for any such services will not reduce the Advisor's advisory fees. Any such arrangements will be at market terms and rates.

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

Performance-Based Fees

There will be no performance fees paid by the Class F PCRED shareholders. Once the Initial Public Offering period commences, the Advisor will be entitled to receive both base management fees and performance-based fees from other classes of PCRED shareholders as described in Item 5 above. The ability to earn performance-based fees creates an incentive for the Advisor to

invest in riskier or more speculative investments that could generate higher returns, use substantial debt or leverage for PCRED's portfolio, or to hold investments for periods of time than otherwise may be appropriate in order to increase the performance-based fees earned by the Advisor.

Investment Allocation Policy

An investment opportunity that is suitable for both PCRED and clients of the Advisor's affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors. In particular, we have an incentive to allocate opportunities to clients paying management fees and performance fees that are higher than those to be paid by PCRED. There can be no assurance that our Advisor's or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected to be resolved in our favor.

Conflicts of Interest Arising from Investing in Different Locations within the Capital Structure of a Portfolio Company

From time to time, the Advisor may invest in securities or other financial instruments of a portfolio company for PCRED that are senior or junior to securities or financial instruments of the same portfolio company that are bought for or held by a client of the Advisor affiliate. For example, a client of an affiliate of the Advisor could acquire senior debt securities of a portfolio company while PCRED could acquire equity securities or subordinated debt of the same portfolio company. This can give rise to a variety of conflicts of interests. Conflicts of interest that can arise in such circumstances include, for example, if a portfolio company enters bankruptcy or undergoes a capital restructuring, the Advisor affiliate's client holding securities that are senior in preference might have the right to pursue the portfolio company's assets to fully satisfy the portfolio company's indebtedness to the client, and as a fiduciary, the Advisor affiliate could have an obligation to pursue aggressive remedies on behalf of such client. In this example, PCRED's holding of securities of the same portfolio company that are more junior in the capital structure would not have the same rights as the client holding senior securities. Also under this example, PCRED's holding of junior securities also may result in it not having access to sufficient assets of the portfolio company to completely satisfy its bankruptcy claim against the portfolio company and it could thus suffer loss.

Item 7 - Types of Clients

The Advisor currently advises one fund, PCRED. Because PCRED is unregistered under the Securities Exchange Act of 1933 (the "Securities Act"), we expect the underlying investors in PCRED will initially be comprised primarily of government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, banks, investment companies, insurance companies, private corporations, and high-net worth individuals. Underlying investors will be

required to meet certain suitability and net worth qualifications, such as being an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act.

John F. Barry III, our Chairman and Chief Executive Officer, will contribute an aggregate of \$10 million to us (the “Initial Investment”) in exchange for the initial issuance of PCRED Class F common stock. Mr. Barry is restricted from selling any of our PCRED common stock purchased with the Initial Investment while the Advisor acts in an advisory capacity to us.

The minimum purchase in PCRED’s Class F Private Offering is \$100,000 in Class F Shares. After you have purchased the minimum investment, any additional purchases must be investments of at least \$10,000, except for purchases of Class F Shares pursuant to our Distribution Reinvestment Plan, which may be in lesser amounts. We retain the right, in our sole discretion, to waive the minimum purchase requirement, the minimum additional purchase requirement, or both.

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

While a discussion of PCRED’s investment strategies and the risks associated with investing in the securities issued by PCRED can be found below, prospective Stockholders are advised to review the Governing Documents for a more extensive description of such strategies and risks.

Methods of Analysis and Investment Strategies

The Advisor’s investment strategy for PCRED is focused on real estate-related credit investments, including (i) first mortgages on commercial real estate properties, (ii) other commercial real estate loans, including subordinated loans, or B-notes, mezzanine loans, and loan participations; (iii) preferred equity investments in commercial real estate; and (iv) commercial real estate securities, including commercial mortgage-backed securities, or CMBS, residential mortgage-backed securities, or RMBS, unsecured debt of listed and non-listed REITs, collateralized loan obligations and equity or equity-linked securities. We intend to emphasize investments in lower volatility property types: multifamily and other residential real estate, self-storage, industrial, and net lease properties. To a lesser extent, we may invest in warehouse facilities or other lines of credit secured by commercial or residential mortgages, secured or unsecured loans to commercial real estate companies, portfolios of single family home mortgages, and credit-like net lease equity investments. We may invest up to 25% of our assets in direct or joint venture investments in value-add or distressed real estate properties that do not entail a debt or credit component.

We intend to use prudent levels of leverage to provide additional funds to support PCRED’s investment activities. We may in the future seek to incur debt through bank credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to transaction or asset specific funding arrangements. We may also issue additional debt or equity securities to fund our growth. Our charter does not limit the amount of leverage we may incur prior to commencement of our initial public offering. However, following the commencement of our initial public offering, our charter will provide that our leverage may not exceed 300% of our total net assets (as defined in our charter in accordance with the NASAA

REIT Guidelines) as of the date of any borrowing unless a majority of our independent directors vote to approve any borrowing in excess of this amount. Subject to this limitation, the amount of leverage we will be able to employ for particular assets will depend upon the Advisor's assessment of the credit, liquidity, price volatility and other risks of those assets and the financing counterparties, and availability of particular types of financing at that time. We will endeavor to match the terms and indices of our assets and liabilities, including in certain instances through the use of derivatives. We will also seek to minimize the risks associated with recourse borrowing. In addition, we may rely on short-term financing such as repurchase transactions under master repurchase agreements. Our board of directors will review our ratio of leverage to total net assets on a quarterly basis. Even though our charter does not limit the amount of leverage we may incur at this time, we intend to limit leverage to 300% of our total net assets.

We intend to use substantially all of the proceeds from the PCRED Class F Private Offering, net of expenses, to originate, acquire and manage a portfolio of real estate-related credit investments in accordance with our investment objectives and using the strategies described in this Brochure. We anticipate that any remaining proceeds will be used for working capital and general corporate purposes, including the payment of operating expenses. However, we have not established limits on the use of proceeds from the Class F Private Offering or the amount of funds we may use from available sources to make distributions to our Stockholders. We will seek to invest the net proceeds received in the Class F Private Offering as promptly as practicable after receipt thereof. However, depending on market conditions and other factors, including the availability of investments that meet our investment objectives, we may be unable to invest such proceeds within the time period we anticipate. There can be no assurance we will be able to sell the maximum amount we are offering. If we sell only a portion of the amount we are offering, we may be unable to achieve our investment objectives. Pending investment of the proceeds raised in the Class F Private Offering, we intend to invest the net proceeds primarily in cash, cash equivalents or short-term securities.

Material Risks

Risks Related to the Advisor and PCRED

We have no prior operating history or established financing sources, and the prior performance of real estate investment programs sponsored by affiliates of the Advisor may not be an indication of our future results.

Neither the Advisor nor PCRED have an operating history, and you should not rely upon the past performance of other real estate investment programs sponsored by affiliates of the Advisor to predict our future results. As of the date of this brochure, we have not made any investments in real estate or otherwise have any operations or independent financing. You should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies that are, like us, in their early stage of development. We cannot guarantee that we will succeed in achieving these goals, and our failure to do so could cause you to lose all or a portion of your investment.

You will not have the opportunity to evaluate our future investments before we make them, which makes your investment more speculative.

We are not able to provide you with any information relating to any future investments that we may acquire, and as a result, it may be difficult for you to evaluate our ability to achieve our investment objectives. We will seek to invest substantially all of the net offering proceeds from the Class F Private Offering, after the payment of expenses, to originate, acquire and manage a portfolio of real estate-related credit investments in accordance with our investment objectives and using the strategies described in this Brochure. However, because you are unable to evaluate the economic merit of our future investments before we make them, you have to rely entirely on the ability of the Advisor to select suitable and successful investment opportunities. Furthermore, the Advisor has broad discretion in selecting the types of loans we will invest in, and you do not have the opportunity to evaluate potential investments. These factors increase the risk that your investment in shares of our common stock may not generate returns comparable to other real estate investment alternatives.

There is no regulatory review of the Class F Shares.

The Class F Shares are being offered pursuant to an exemption from federal securities registration provisions and comparable exemptions in certain states. No governmental regulatory agency has reviewed or passed upon this offering. Therefore, prospective investors must assess the adequacy of disclosure and the fairness of the terms of this offering on their own or in conjunction with their personal advisors.

There is no public trading market for shares of our common stock; therefore, your ability to dispose of your Class F Shares will likely be limited to repurchase by us through a share repurchase program, which is currently not in effect. We expect that such program will restrict Class F investors from having their Class F Shares repurchased pursuant to the share repurchase program for a period of two years following the commencement of our initial public offering.

There is no current public trading market for shares of our common stock, and we do not expect that such a market will ever develop. Therefore, repurchase of shares by us will likely be the only way for you to dispose of your shares. In connection with our initial public offering, we intend to establish a share repurchase program, but such program, is not currently in place. To the extent that we establish a share repurchase program, we expect that such program will restrict Class F investors from having their Class F Shares repurchased pursuant to the share repurchase program for a period of two years following the commencement of our initial public offering.

We may be unable to pay or maintain cash distributions or increase distributions over time.

There are many factors that can affect the availability and timing of cash distributions to stockholders. Distributions will be based principally on cash available from our operations. The amount of cash available for distributions is affected by many factors, such as our ability to acquire or originate commercial real estate debt and other targeted investments as offering proceeds become available, income from such investments and our operating expense levels, as well as many other variables. Actual cash available for distributions may vary substantially from estimates. We cannot assure you that we will be able to pay distributions or that distributions will

increase over time. We cannot give any assurance that returns from the investments that we acquire will increase, that the securities we buy will increase in value or provide us with consistent or increased income over time, or that future acquisitions of real estate debt, mortgage, transitional or subordinated loans or any investments in securities will increase our cash available for distributions to stockholders. Our actual results may differ significantly from the assumptions used by our board of directors in establishing the distribution rate to stockholders. We may not have sufficient cash from operations to make a distribution required to qualify or maintain our qualification as a REIT, which may materially adversely affect your investment.

We may pay distributions from sources other than our cash flow from operations, which may cause us to have less funds available for investment in assets and your overall return may be reduced.

Our organizational documents permit us to pay distributions to stockholders from any sources of funds legally available to us, including offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, repayments of our real estate debt investments, non-capital gains proceeds from the sale of assets and dividends and other distributions from our investments. We have not established limits on the amount of funds we may use from available sources to make distributions. Funding distributions from offering proceeds, borrowings, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets and dividends and other distributions from our investments will result in us having less funds available to acquire investments. Funding distributions from sources other than our cash flow from operations may also decrease our NAV. As a result, the return you realize on your investment may be reduced. We may be required to fund distributions from a combination of some of these sources if our investments fail to perform, if expenses are greater than our revenues or due to numerous other factors. We cannot predict when, if ever, distribution payments sourced from these alternative sources may occur, and an extended period of making distributions from such sources would likely be unsustainable.

A portion of your distributions may be considered return of capital for U.S. federal income tax purposes. Amounts considered a return of capital generally will not be subject to tax, but will instead reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your shares are repurchased, you sell your shares or we are liquidated, at which time you generally will be taxed at capital gains rates.

To the extent we incur borrowings to fund distributions, we would incur borrowing costs and these borrowings would require a future repayment. The use of borrowings as a source of distributions and the ultimate repayment of such borrowings could adversely impact our ability to pay distributions in future periods, decrease our NAV, decrease the amount of cash we have available for operations and new investments and adversely impact the value of your investment.

If we are unable to find suitable investments, we may not be able to achieve our investment objectives.

We compete to originate and acquire real estate debt investments with other REITs, real estate limited partnerships, pension funds and their advisors, bank and insurance company investment accounts and other entities. Many of our competitors have greater financial resources, and a

greater ability to borrow funds to acquire securities and other assets, than we do. We cannot be sure that the Advisor will be successful in obtaining suitable investments on financially attractive terms or that, if the Advisor makes investments on our behalf, our objectives will be achieved. The more money we raise in this offering or any subsequent public offering, the greater will be our challenge to invest all of the net offering proceeds on attractive terms. If we, through the Advisor are unable to find suitable investments promptly, we will hold the proceeds from this offering and any subsequent public offering in short-term, low risk, highly liquid, interest-bearing investments. We expect that such investments would earn yields substantially lower than the interest income that we anticipate receiving from investments that meet our investment criteria. As a result, any distributions we make while our portfolio is not fully invested in assets meeting our investment criteria may be substantially lower than the distributions that we expect to pay when our portfolio is fully invested in assets meeting our investment criteria. In the event we are unable to locate suitable investments in a timely manner, we may be unable or limited in our ability to make distributions and we may not be able to achieve our investment objectives.

The limited experience of the Advisor in operating under the constraints imposed on us as a REIT may hinder the achievement of our investment objectives.

The Internal Revenue Code of 1986, as amended, or the “Code”, imposes numerous constraints on the operations of REITs that do not apply to other investment vehicles managed by PCM and its affiliates, including the Advisor. Our initial and continuing qualification as a REIT will depend upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Code. Any failure to do so could cause us to fail to satisfy the requirements associated with REIT status. The Advisor has limited experience operating under these constraints, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objectives. As a result, we cannot assure you that the Advisor will be able to operate our business under these constraints. If we fail to qualify as a REIT for any taxable year after electing REIT status, there will be significant adverse consequences.

We depend upon key personnel of the Advisor and its respective affiliates.

We are an externally managed REIT and therefore we do not have any internal management capacity or employees. Our officers are also employees of the Advisor. We depend to a significant degree on the diligence, skill and network of business contacts of certain of our executive officers and other key personnel of the Advisor to achieve our investment objectives, all of whom would be difficult to replace. The Advisor is responsible for evaluating, negotiating, structuring, closing and monitoring our investments in accordance with the terms of the Advisory Agreement.

We depend upon the senior professionals of the Advisor to maintain relationships with potential sources of investments, and we rely to a significant extent upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to be employed by the Advisor or that they will continue to be available to us to provide investment advice. If these individuals, including the members of the Advisor’s investment committee, do not maintain their existing relationships with the Advisor, maintain existing relationships or develop new relationships with other sources of investment opportunities, we

may not be able to grow or manage our investment portfolio. We believe that our future success depends, in large part, on the Advisor's ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition to employ and retain such personnel is intense, and we cannot assure you that the Advisor will be successful in doing so. In addition, individuals with whom the senior professionals of the Advisor have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

If the Advisor is unable to manage our investments effectively, we may be unable to achieve our investment objectives.

Our ability to achieve our investment objectives depends on our ability to manage our business and to grow our business. This depends, in turn, on the Advisor's ability to identify, invest in and monitor assets that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis depends upon the Advisor's execution of our investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The personnel of the Advisor are engaged in other business activities, which could distract them, divert their time and attention such that they could no longer dedicate a significant portion of their time to our business or otherwise slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Failure by us, the Advisor, joint venture partners, consultants and other service providers to implement effective information and cyber security policies, procedures and capabilities could disrupt our business and harm our results of operations.

We are subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. To date, we have seen no material impact on our business or operations from these attacks or events. Any future externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, loss of competitive position, regulatory actions, breach of contracts, reputational harm or legal liability. We and the Advisor, joint venture partners, consultants, and other service providers are dependent on the effectiveness of our respective information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides on or is transmitted through them. The ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides that, to the extent permitted by Maryland law, no independent director shall be liable to us or our stockholders for monetary damages and that we will generally indemnify them for losses unless they are grossly negligent or engage in willful misconduct or, in the case of our directors who are also our executive officers or affiliates of the Advisor, for simple negligence or misconduct. As a result, you and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce your and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, executive officers, employees and agents) in some cases, which would decrease the cash otherwise available for distributions to you.

Uncertainty with respect to the financial stability of the United States and several countries in the European Union could have a significant adverse effect on our business, financial condition and results of operations.

Our business and operations are currently dependent on the commercial real estate industry generally, which in turn is dependent upon broad economic conditions in the United States, Europe, China and elsewhere. Recently, concerns over global economic conditions, energy and commodity prices, geopolitical issues and military conflicts (including the ongoing conflict between Russia and Ukraine), supply chain delays, inflation, Federal Reserve short term rate decisions, actual or perceived instability in the U.S. banking system, foreign exchange rates, the availability and cost of credit, the Chinese economy, and a potentially weakening real estate market in the United States have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with the continuing negative impact of the COVID-19 pandemic on the global economy, volatile prices of oil and the potential for declining business and consumer confidence, may precipitate an economic slowdown, as well as cause extreme volatility in security prices. Global economic and political headwinds, along with global market instability and the risk of maturing debt that may have difficulties being refinanced, may continue to cause periodic volatility in the commercial real estate market for some time. Adverse conditions in the commercial real estate industry could harm our business and financial condition by, among other factors, the tightening of the credit markets, decline in the value of our assets and continuing credit and liquidity concerns and otherwise negatively impacting our operations.

Risks Related to PCRED and Our Corporate Structure

No investor may own more than 9.8% of our stock unless exempted by our board of directors, which may discourage a takeover that could otherwise result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, prospectively or retroactively, no person may own more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of shares of our common stock, after applying certain rules of attribution. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of repurchase of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

You will have limited control over changes in our policies and operations, which increases the risks and uncertainty you face as a stockholder.

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without your vote. Under the Maryland General Corporation Law and our charter, you have a right to vote only on limited matters. Our board's broad discretion in setting policies and your inability to exert control over those policies increases the risks and uncertainty you face as a stockholder.

We may change our investment and operational policies without stockholder consent.

Except for changes to the investment restrictions contained in our charter, which require stockholder consent to amend, we may change our investment and operational policies, including our policies with respect to investments, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier or more highly leveraged than, the types of investments described in this Brochure. Our board of directors also approved broad investment guidelines with which we must comply, but these guidelines provide the Advisor with broad discretion and can be changed by our board of directors. A change in our investment

strategy may, among other things, increase our exposure to real estate market fluctuations, default risk and interest rate risk, all of which could materially affect our results of operations and financial condition.

Your interest in us will be diluted if we issue additional shares in an initial public offering or any subsequent public offering, which could reduce the overall value of your investment.

Our investors will not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 880,000,000 shares of common stock. Pursuant to our charter, a majority of our entire board of directors may amend our charter from time to time to increase the aggregate number of authorized shares of stock or the number of authorized shares of any class or series of stock without stockholder approval. After an investor purchases shares, our board of directors may elect to sell additional shares in the future, issue equity interests in private offerings or issue share-based awards to our independent directors. To the extent we issue additional equity interests in an initial public offering or any subsequent public offering of Class F Shares after an investor purchases our shares, an investor's percentage ownership interest in us will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, an investor may also experience dilution in the book value and fair value of his or her shares.

Your investment return may be reduced if we are required to register as an investment company under the 1940 Act.

We are not registered, and do not intend to register ourselves or any of our subsidiaries, as an investment company under the 1940 Act. If we become obligated to register ourselves or any of our subsidiaries as an investment company, the registered entity would have to comply with a variety of substantive requirements under the 1940 Act imposing, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

If we were to become obligated to register ourselves or any of our subsidiaries as an investment company, the requirements imposed on registered investment companies would make it unlikely that we would be able to operate our business as currently contemplated and as described herein.

Purchases of shares of our common stock are not made based on the current NAV per share of our common stock.

Generally, our offering price per share will be equal to the NAV per share of the applicable class as of the last calendar day of the prior quarter (before the commencement of our public offering) or month (following the commencement of our public offering), plus applicable upfront selling commissions and dealer manager fees. In addition, we may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the prior quarter's or month's NAV per share, including by updating a previously disclosed offering price, in cases where we

believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month. In such cases, the offering price will not equal our NAV per share as of any time.

Valuations of our investments may reflect estimates of fair value and may not necessarily correspond to realizable value, which could adversely affect the value of your investment.

For the purposes of calculating our NAV, our commercial real estate debt investments and related instruments will generally be valued at amortized cost, net of unamortized acquisition premiums or discounts, loan fees, and origination costs, as applicable, unless the loans are deemed impaired. At least quarterly, the Advisor will evaluate for impairment each loan classified as held-for-investment.

Our mortgage-backed securities that we do not hold for the purpose of selling in the near-term or may dispose of prior to maturity, are classified as available-for-sale and are reported at fair value. On a quarterly basis, the Advisor values such securities using quotations obtained from an independent third-party pricing service, which provides prevailing bid and ask prices that are screened for validity by the third-party pricing service on the valuation date. For investments for which a third-party pricing service is unable to obtain quoted prices, the Advisor obtains bid and ask prices directly from dealers who make a market in such securities. In all such cases, securities are valued at the mid-point of the average bid and ask prices obtained from such sources. Our mortgage-backed securities are classified as held-to-maturity when we intend to and can hold such securities until maturity and are valued at amortized cost, net of unamortized acquisition premium or discount.

The market value of each of our exchange-traded securities will be the last reported sale price at the relevant valuation date on the composite tape or on the principal exchange on which such security is traded. If no sale is reported for an exchange-traded security on the valuation date or if a security is an over-the-counter security, the Advisor intends to value such securities using quotations obtained from an independent third-party pricing service, which will provide prevailing bid and ask prices that are screened for validity by the service from dealers on the valuation date. For investments for which a third-party pricing service is unable to obtain quoted prices, the Advisor intends to obtain bid and ask prices directly from dealers who make a market in such securities. In all such cases, securities will be valued at the mid-point of the average bid and ask prices obtained from such sources.

To the extent we hold other types of investments for which no secondary market exists, such as distressed or below investment grade debt or equity interests, the Advisor intends to value such investments at fair value, which will be determined in good faith by the Advisor in accordance with our valuation guidelines. Within the parameters of our valuation guidelines, the valuation methodologies used to value our investments involve subjective judgments concerning factors such as comparable sales, rental and operating expense data, capitalization or discount rate, and projections of future rent and expenses, and, following acquisition, our real property investments will not be appraised by an independent third-party appraisal firm. Although our valuation guidelines are designed to accurately and fairly determine the value of our assets, determinations and valuations are only estimates, and ultimate realization depends on conditions beyond the

Advisor's control. Further, valuations do not necessarily represent the price at which we would be able to sell an asset, because such prices would be negotiated. We will not, however, retroactively adjust the valuation of such assets, the price of shares of our common stock or the price we paid to repurchase shares of our common stock.

No rule, regulation, or industry practice requires that we calculate our NAV in a certain way, and our board of directors, including a majority of our independent directors, may adopt changes to our valuation guidelines.

There are no existing rules or regulatory bodies that specifically govern the manner in which we calculate our NAV and there is no established practice among public REITs, whether listed or not, for calculating NAV in order to establish a purchase and repurchase price for shares of common stock. As a result, it is important that you pay particular attention to the specific methodologies and assumptions we use to calculate our NAV, as other public REITs may use different methodologies or assumptions to determine their NAV. In addition, our board of directors, including a majority of our independent directors, reviews the appropriateness of our valuation guidelines at least annually and may, at any time, adopt changes to our valuation guidelines.

Our NAV per share may suddenly change if the values of our investments materially change, if the actual operating results for a particular month differ from what we originally budgeted for that month or if there are fluctuations in interest rates.

Prior to the commencement of our initial public offering, our investments are valued on a quarterly basis in accordance with our valuation guidelines. As such, when these new valuations are reflected in our NAV calculation, there may be a sudden change in our NAV per share for each class of our common stock. These changes in an investment's value may be as a result of investment specific events or as a result of more general changes to real estate values resulting from local, nation or global economic changes. In addition, actual operating results for a given quarter may differ from what we originally budgeted for that quarter, which may cause a sudden increase or decrease in the NAV per share amounts. We accrue estimated income and expenses on a quarterly basis based on our budgets. As soon as practicable after the end of each quarter, we adjust the income and expenses we estimated for that quarter to reflect the income and expenses actually earned and incurred.

The NAV per share that we publish may not necessarily reflect changes in our NAV that are not immediately quantifiable.

From time to time, we may experience events with respect to our investments that may have a material impact on our NAV. For example, it may be difficult to reflect fully and accurately rapidly changing market conditions or material events that may impact the value of our investments or to obtain quickly complete information regarding such events. Following the commencement of our initial public offering, we intend to offer shares on a quarterly basis at a price that will approximate our NAV per share on such date. The NAV per share of each class of our common stock as published on any given day may not reflect such extraordinary events to the extent that their financial impact is not immediately quantifiable. As a result, the NAV per share of each class published after the announcement of a material event may differ significantly from our actual NAV per share for such class until such time as the financial impact is quantified and our NAV is

appropriately adjusted in accordance with our valuation guidelines. The resulting potential disparity in our NAV may inure to the benefit of stockholders whose shares are repurchased or new stockholders, depending on whether our published NAV per share for such class is overstated or understated.

Risks Related to Conflicts of Interest

There are significant potential conflicts of interest that could affect our investment returns.

As a result of our arrangements with PCM, the Advisor and the Advisor's investment committee, there may be times when PCM, the Advisor or such persons have interests that differ from those of our stockholders, giving rise to a conflict of interest.

The members of the Advisor's investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by the Advisor or its affiliates. Similarly, the Advisor or its respective affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may prevent them from presenting attractive investment opportunities to us or otherwise may not be in the best interests of us or our stockholders. For example, the members of the Advisor's investment committee have, and will continue to have, management responsibilities for other investment funds, accounts or other investment vehicles managed or sponsored by the Advisor and its affiliates. Our investment objectives may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by or affiliated with the Advisor. The Advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with their allocation policies. In addition, not all conflicts of interest can be expected to be resolved in our favor.

The Advisor will face a conflict of interest because the fees it will receive are based in part on our NAV, which the Advisor is responsible for determining, and which may reflect valuations performed by the Advisor.

The Advisor receives various fees based on our NAV, which is calculated by the Advisor, and which may reflect valuations performed by the Advisor. Thus, if the valuations performed by the Advisor are incorrect, the amount of fees received by the Advisor could also be incorrect. The calculation of our NAV includes certain subjective judgments with respect to estimating, for example, the value of our portfolio and our accrued expenses, net income and liabilities. Therefore, our NAV may not correspond to realizable value upon a sale of those assets. In addition, the Advisor may make certain subjective judgments as to when to write-off an investment, and such judgment may be influenced by, for example, the impact such a write-off would have on any fees collectable by the Advisor. Further, the Advisor and its respective affiliates may benefit by us retaining ownership of our assets at times when our stockholders may be better served by the sale or disposition of our assets in order to avoid a reduction in our NAV. If our NAV is calculated in a way that is not reflective of our actual NAV, then the purchase price

of shares of our common stock may not accurately reflect the value of our portfolio, and your shares may be worth less than the purchase price.

The Advisor and PCM and their respective officers and employees and certain of our executive officers and other key personnel face competing demands relating to their time, and this may cause our operating results to suffer.

The Advisor and PCM and their respective officers and employees who serve as our executive officers or otherwise as our key personnel and their respective affiliates who serve as key personnel, sponsors, managers, owners and advisors of other investment programs, including investment funds sponsored by PCM, some of which have investment objectives and legal and financial obligations similar to ours and may have other business interests as well. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. If this occurs, the returns on our investments may suffer.

The Advisor faces conflicts of interest relating to the fee structure under the Advisory Agreement, which could result in actions that are not necessarily in the long-term best interests of our stockholders.

Following the commencement of our initial public offering, we will pay the Advisor a base management fee regardless of the performance of our portfolio. The Advisor's entitlement to the base management fee, which is not based upon performance metrics or goals, might reduce the Advisor's incentive to devote their time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. We are required to pay the base management fee in a particular period despite experiencing a net loss or a decline in the value of our portfolio during that period.

The performance fee we may pay to the Advisor is based on our earnings. The performance fee may create an incentive for the Advisor to use substantial debt or leverage for our portfolio or make riskier or more speculative investments on our behalf than they would otherwise make in the absence of such fee.

Because the base management fee is based on our NAV, the Advisor may also be motivated to accelerate investments in order to increase NAV or, similarly, delay or curtail share repurchases to maintain a higher NAV, which would, in each case, increase amounts payable to the Advisor.

The Advisory Agreement with the Advisor was not negotiated on an arm's length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

The Advisory Agreement was negotiated between related parties. Consequently, its terms, including fees payable to the Advisor, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under the Advisory Agreement because of our desire to maintain our ongoing relationship with the Advisor and its affiliates. Any such decision, however, may breach our fiduciary obligations to our stockholders.

Pursuant to the Advisory Agreement, PCRED has agreed to indemnify the Advisor for certain liabilities, which may lead the Advisor to act in a riskier manner on PCRED's behalf than it would when acting for its own account.

Under the Advisory Agreement, the Advisor will not assume any responsibility to PCRED other than to render the services called for under the agreement, and it will not be responsible for any action of PCRED's board of directors in following or declining to follow the Advisor's advice or recommendations. Under the terms of the Advisory Agreement, the Advisor, its officers, members, personnel, and any person controlling or controlled by the Advisor, will not be liable to PCRED, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Advisory Agreement, except those resulting from acts constituting bad faith, fraud, misfeasance, intentional misconduct, gross negligence or reckless disregard of the Advisor's duties under the Advisory Agreement. In addition, we have agreed to indemnify the Advisor and its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Advisory Agreement, provided that the following conditions are met: (i) the Advisor or its affiliates have determined, in good faith, that the course of conduct that caused the loss or liability was in our best interest, (ii) the Advisor or its affiliates were acting on our behalf or performing services for us, (iii) such liability or loss was not the result of negligence or misconduct by the Advisor or its affiliates, and (iv) such indemnification or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders. These protections may lead the Advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Risks Related to Our Investments

We may not be able to identify assets that meet our investment criteria.

We cannot assure you that we will be able to identify assets that meet our investment criteria, that we will be successful in consummating any investment opportunities we identify or that one or more investments we may make will yield attractive risk-adjusted returns. Our inability to do any of the foregoing likely would materially and adversely affect our results of operations and cash flows and our ability to make distributions to our stockholders.

The lack of liquidity in our investments may adversely affect our business.

The lack of liquidity of the investments we make in real estate loans and investments, other than certain of our investments in CMBS and RMBS, may make it difficult for us to sell such investments if the need or desire arises. Many of the securities we purchase are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or their disposition except in transactions that are exempt from the registration requirements of, or otherwise in accordance with, those laws. In addition, certain investments, such as B-Notes and subordinated loans, are also particularly illiquid investments due to their short life, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower's

default. As a result, many of our investments will be illiquid and if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. Further, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or the Advisor has or could be attributed with material, non-public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Our investments may be concentrated and are subject to risk of default.

While we seek to diversify our portfolio of investments, we are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors, which we adopted without your consent. Therefore, our investments in our target assets may at times be secured by properties concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in any one region or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of shares of our common stock and accordingly reduce our ability to make distributions to our stockholders.

Loans on properties in transition will involve a greater risk of loss than conventional mortgage loans.

Our portfolio includes transitional loans to borrowers who are typically seeking relatively short-term funds to be used in an acquisition or rehabilitation of a property or during the period before the property is fully occupied. The typical borrower in a transitional loan often has identified an undervalued asset that has been under-managed or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we may not recover some or all of our investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to the risk of a borrower's inability to obtain permanent financing to repay the transitional loan. In the event of any default under transitional loans that may be held by us, we bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent we suffer such losses with respect to these transitional loans, it would adversely affect our results of operations and financial condition.

Construction loans involve an increased risk of loss.

We may invest in construction loans. If we fail to fund our entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property

securing the loan, especially if the borrower is unable to raise funds to complete it from other sources; a borrower claim against us for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

Construction loans are funded in tranches, usually based on completion by the borrower of certain construction milestones. We will need to maintain a certain amount of funds available for future disbursements that could otherwise be used to acquire assets, invest in future business opportunities or make distributions to stockholders or we may be forced to sell assets at depressed prices or borrow funds to fund our loan commitment. This could have an adverse effect on our results of operations and ability to make distributions to our stockholders.

We will operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these assets.

We will operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. In acquiring our target assets, we compete with a variety of institutional investors, including other REITs, commercial and investment banks, specialty finance companies, public and private funds, commercial finance and insurance companies and other financial institutions. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. Several other REITs have recently raised significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us, such as funding from the U.S. government, if we are not eligible to participate in programs established by the U.S. government. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exception from the definition of an investment company under the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, competition for originations of and investments in our target assets may lead to decreasing yields, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives.

The investments we intend to originate and acquire and the loans underlying investments in CMBS are subject to the ability of the commercial property owner to generate net income from operating the property as well as the risks of delinquency and foreclosure.

Commercial loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that may be greater than similar risks associated

with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things,

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition and design;
- competition from comparable types of properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in national, regional or local economic conditions, including economic impacts resulting from actual or perceived instability in the U.S. banking system, or specific industry segments, including the credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- inability to pass increases in costs of operations along to tenants;
- costs of remediation and liabilities associated with environmental conditions;
- the potential for uninsured or underinsured property losses;
- in the case of transitional and construction loans, limited cash flows at the beginning;
- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorist attacks, social unrest and civil disturbances.

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

We are currently operating in a period of capital markets disruption and economic uncertainty, which increases the risk of an investment in our company.

The U.S. and global capital markets are continuing to experience extreme volatility and disruption, including as a result of inflation, the conflict between Russia and Ukraine and war in the Middle East. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions or illiquidity could potentially have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also are expected to increase our funding costs, limit our ability to raise capital in our public offering, and limit our ability to secure new indebtedness. These events could limit our originations of new loans, our ability to grow and our ability to pay distributions to our stockholders, and could have a material negative impact on our operating results and the values of our investments. Inflation in the United States may continue at an elevated level in the near-term. Rising inflation could have an adverse impact on any floating rate mortgages, credit facility and general and administrative expenses, as these costs could increase at a rate higher than our revenue.

Investments we may make in CMBS may be subject to losses.

Investments we may make in CMBS may be subject to losses. In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a subordinated loan or B-Note, if any, then by the “first loss” subordinated security holder (generally, the “B-Piece” buyer) and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, subordinated loans or B-Notes, and any classes of securities junior to those in which we invest, we will not be able to recover all of our investment in the securities we purchase. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related mortgage-backed security, there would be an increased risk of loss. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments.

We may not control the special servicing of the mortgage loans included in the CMBS in which we invest, and, in such cases, the special servicer may take actions that could adversely affect our interests.

With respect to each series of CMBS in which we invest, overall control over the special servicing of the related underlying mortgage loans may be held by a directing certificate-holder, which is appointed by the holders of the most subordinate class of CMBS in such series. We may acquire classes of existing series of CMBS where we will not have the right to appoint the directing certificate-holder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate-holder, take actions that could adversely affect our interests.

With respect to certain mortgage loans included in our CMBS investments, the properties that secure the mortgage loans backing the securitized pool may also secure one or more related mortgage loans that are not in the CMBS, which may conflict with our interests.

Certain mortgage loans included in our CMBS investments may be part of a loan combination or split loan structure that includes one or more additional mortgaged loans (senior, subordinate or pari passu and not included in the CMBS investments) that are secured by the same mortgage instrument(s) encumbering the same mortgaged property or properties, as applicable, as is the subject mortgage loan. Pursuant to one or more co-lender or similar agreements, a holder, or a group of holders, of a mortgage loan in a subject loan combination may be granted various rights and powers that affect the mortgage loan in that loan combination, including: (i) cure rights; (ii) a purchase option; (iii) the right to advise, direct or consult with the applicable servicer regarding various servicing matters affecting that loan combination; or (iv) the right to replace the directing certificate-holder (without cause).

If the Advisor overestimates the yields or incorrectly prices the risks of our investments, we may experience losses.

The Advisor values our potential investments based on yields and risks, taking into account estimated future losses on the mortgage loans and the underlying collateral included in the securitization's pools, and the estimated impact of these losses on expected future cash flows and returns. The Advisor's loss estimates may not prove accurate, as actual results may vary from estimates. In the event that the Advisor underestimates the asset level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

Real estate valuation is inherently subjective and uncertain.

The valuation of real estate, and therefore the valuation of any underlying security relating to loans made by us, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. As a result, the valuations of the real estate assets against which we will make loans are subject to a degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial or residential real estate markets.

Investments we may make in debt securities of commercial real estate operating or finance companies are subject to the specific risks relating to the particular company and to the general risks of investing in real estate-related loans and securities, which may result in significant losses.

We may invest in debt securities of commercial real estate operating or finance companies. These investments involve special risks relating to the particular company, including its financial condition, liquidity, results of operations, business and prospects. In particular, the debt securities are often non-collateralized and may also be subordinated to its other obligations. We also invest in debt securities of companies that are not rated or are rated non-investment grade by one or more rating agencies. Investments that are not rated or are rated non-investment grade have a

higher risk of default than investment grade rated assets and therefore may result in losses to us. We have not adopted any limit on such investments.

These investments also subject us to the risks inherent with real estate-related investments, including:

- risks of delinquency and foreclosure, and risks of loss in the event thereof;
- the dependence upon the successful operation of, and net income from, real property;
- risks generally incident to interests in real property; and
- risks specific to the type and use of a particular property.

These risks may adversely affect the value of our investments in commercial real estate operating and finance companies and the ability of the issuers thereof to make principal and interest payments in a timely manner, or at all, and could result in significant losses.

Investment ratings that we may use are relative and subjective.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the credit quality of securities that they rate. These ratings may be used by us as initial criteria for the selection of investments. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events.

Investments in non-conforming and non-investment grade rated loans or securities involve increased risk of loss.

Our investments may not conform to conventional loan standards applied by traditional lenders and may be either not rated or rated as non-investment grade by one or more rating agencies. The non-investment grade ratings for these assets typically result from the overall leverage of the loans, the lack of a strong operating history for the properties underlying the loans, the borrowers' credit history, the properties' underlying cash flow or other factors. As a result, these investments have a higher risk of default and loss than investment grade rated assets. Any loss we incur may be significant and may reduce distributions to our stockholders and adversely affect the market value of shares of our common stock. There are no limits on the percentage of unrated or non-investment grade rated assets we may hold in our investment portfolio.

The B-Notes and mezzanine loans that we may invest in may be subject to additional risks related to the privately negotiated structure and terms of the transaction, which may result in losses to us.

We may invest in B-Notes and mezzanine loans. B-Notes are mortgage loans typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) contractually subordinated to an A-Note secured by the same first mortgage on the same collateral. Mezzanine loans are loans (x) secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property and (y) are contractually subordinated to a mortgage loan and in some cases one or more senior mezzanine loans. As a

result of the subordination of both B-Notes and mezzanine loans, if a borrower defaults, there may not be sufficient funds remaining for the holders of B-Notes or mezzanine loans after payment of amounts due to the senior lenders. However, because each transaction is privately negotiated, B-Notes and mezzanine loans can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes and mezzanine loans to control the process following a borrower default may vary from transaction to transaction. Significant losses related to B-Notes or mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Subordinated loan assets in which we may invest involve greater risks of loss than senior loans secured by income-producing properties.

We may invest in subordinated loans, which take the form of loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our subordinated loan. If a borrower defaults on our subordinated loan or debt senior to our loan, or in the event of a borrower bankruptcy, our subordinated loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our initial expenditure. In addition, subordinated loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to subordinated loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Residential mortgage loans, RMBS and other pools of residential mortgage loans that we may acquire are subject to different types of risks than commercial mortgage loans and CMBS.

We may invest directly in residential mortgage loans and may purchase RMBS and/or interests in other pools of residential mortgage loans. RMBS evidence interests in or are secured by pools of residential mortgage loans. Accordingly, the RMBS and other pools of residential mortgage loans in which we may invest are subject to all of the risks of the respective underlying mortgage loans.

Residential mortgage loans are typically secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, actual or perceived instability in the U.S. banking system, natural disasters, environmental disasters, acts of terrorism, government shutdowns, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. In addition, we may invest in non-agency RMBS, which are backed by residential real property but, in contrast to agency RMBS, their principal and interest are not guaranteed by federally chartered entities such as Fannie Mae and Freddie Mac and, in the case of Ginnie Mae, the U.S. government. In the event of any default under a mortgage loan we hold directly we will

bear the risk of loss of principal to the extent of any deficiency between the value of the collateral (which, for many residential and other real estate properties, has already significantly declined and may decline further in the future) and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the return on our investments. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

We may also invest in RMBS or other pools of residential mortgage loans that include or are backed by collateral consisting of subprime residential mortgage loans. “Subprime” mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have a high debt-to-income ratio, and mortgage loans made to borrowers whose income is not required to be disclosed or verified.

The RMBS and CMBS in which we invest are subject to the risks of the mortgage securities market as a whole and risks of the securitization process.

The value of RMBS and CMBS may change due to shifts in the market’s perception of issuers and regulatory or tax changes adversely affecting the mortgage securities market as a whole. RMBS and CMBS are also subject to several risks created through the securitization process. Subordinate RMBS and CMBS are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes delinquent loans, there is a risk that the interest payment on subordinate RMBS and CMBS will not be fully paid. Subordinate RMBS and CMBS are also subject to greater credit risk than those RMBS and CMBS that are more highly rated.

We may purchase securities backed by subprime or alternative documentation residential mortgage loans, which are subject to increased risks.

We may invest in non-agency RMBS backed by collateral pools of mortgage loans that have been originated using underwriting standards that are less restrictive than those used in underwriting “prime mortgage loans.” These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories, mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to

be disclosed or verified. Subprime mortgage loans have in recent periods experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans and alternative documentation (“Alt A”), mortgage loans, the performance of non-agency RMBS backed by subprime mortgage loans and Alt A mortgage loans that we may acquire could be correspondingly adversely affected, which could adversely impact our results of operations, financial condition and business.

The mortgage loans in which we invest and the mortgage loans underlying the mortgage securities in which we invest are subject to delinquency, foreclosure and loss, which could result in losses to us.

Commercial real estate loans are secured by multifamily or commercial properties and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, natural disasters, terrorism, social unrest and civil disturbances. We intend to invest in commercial mortgage loans directly and through CMBS.

Residential mortgage loans are secured by single-family residential property and are subject to risks of delinquency, foreclosure and loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, natural disasters, terrorism, social unrest and civil disturbances, may impair borrowers’ abilities to repay their loans. Though we do not intend to invest directly in residential mortgage loans, we may invest in pools of residential mortgage loans or RMBSs.

Delays in liquidating defaulted commercial real estate debt investments could reduce our investment returns.

The occurrence of a default on a commercial real estate debt investment could result in our taking title to collateral. However, we may not be able to take title to and sell the collateral securing the loan quickly. Taking title to collateral can be an expensive and lengthy process that could have a negative effect on the return on our investment. Borrowers often resist when lenders, such as us,

seek to take title to collateral by asserting numerous claims, counterclaims and defenses, including but not limited to lender liability claims, in an effort to prolong the foreclosure action. In some states, taking title to collateral can take several years or more to resolve. At any time during a foreclosure proceeding, for instance, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the foreclosure process. The resulting time delay could reduce the value of our investment in the defaulted loans. Furthermore, an action to take title to collateral securing a loan is regulated by state statutes and regulations and is subject to the delays and expenses associated with lawsuits if the borrower raises defenses, counterclaims or files for bankruptcy. In the event of default by a borrower, these restrictions, among other things, may impede our ability to take title to and sell the collateral securing the loan or to obtain proceeds sufficient to repay all amounts due to us on the loan. In addition, we may be forced to operate any collateral for which we take title for a substantial period of time, which could be a distraction for our management team and may require us to pay significant costs associated with such collateral. We may not recover any of our investment even if we take title to collateral.

Hedging against interest rate exposure may adversely affect our earnings, limit our gains or result in losses, which could adversely affect cash available for distribution to our stockholders.

We may enter into interest rate swap agreements or pursue other interest rate hedging strategies. Our hedging activity will vary in scope based on the level of interest rates, the type of portfolio investments held, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability or asset;
- our hedging opportunities may be limited by the treatment of income from hedging transactions under the rules determining REIT qualification;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- we may purchase a hedge that turns out not to be necessary, *i.e.*, a hedge that is out of the money.

Any hedging activity we engage in may adversely affect our earnings, which could adversely affect cash available for distribution to our stockholders. Therefore, while we may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek

to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

Interest rate fluctuations could reduce our ability to generate income on our investments and may cause losses.

Changes in interest rates will affect our net interest income, which is the difference between the interest income we earn on our interest-earning investments and the interest expense we incur in financing these investments. Changes in the level of interest rates also may affect our ability to originate and acquire assets, the value of our assets and our ability to realize gains from the disposition of assets. Changes in interest rates may also affect borrower default rates. In a period of rising interest rates, our interest expense could increase, while the interest we earn on our fixed-rate debt investments would not change, adversely affecting our profitability. Our operating results depend in large part on differences between the income from our assets, net of credit losses, and our financing costs. We anticipate that for any period during which our assets are not match-funded, the income from such assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates may significantly influence our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and financial condition.

We are subject to the risk that the issuer of a security or borrower under a loan may exercise its option to prepay principal earlier than scheduled, forcing us to reinvest the proceeds from such prepayment in lower yielding securities or loans, which may result in a decline in our return. Debt investments frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met. An issuer may choose to redeem a debt security if, for example, the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. Any such prepayments of our securities or loans could adversely impact our results of operations and financial condition.

We are subject to the risks relating to increases in prepayment rates of debt underlying CMBS.

CMBS are indirectly subject to the risks associated with prepayments (including both voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) on mortgage loans.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many CMBS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these CMBS may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact investments in at least two ways. First, particular investments may experience outright losses, as in the case of interest-only securities in an environment of faster actual or anticipated prepayments. Second, particular investments may under-perform relative to hedges that may have been constructed for these investments, resulting in a loss to us. In particular, prepayments (at par) may limit the potential upside of many CMBS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss. In addition, in the case of “premium” securities, prepayments at par may result in losses.

Some of our portfolio investments may be recorded at estimated fair value and, as a result, there may be uncertainty as to the value of these investments.

In accordance with our valuation guidelines, some of our portfolio investments for which no secondary market exists will be valued at least quarterly at fair value, or more frequently as necessary, which includes consideration of unobservable inputs. Because such valuations are subjective, the fair value of certain of such assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of shares of our common stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Liability relating to environmental matters may impact the value of properties that we may acquire upon foreclosure of the properties underlying our investments or otherwise.

To the extent we foreclose on properties with respect to which we have extended loans or otherwise acquire properties, we may be subject to environmental liabilities arising from such foreclosed properties. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances may adversely affect an owner’s ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying one of our debt investments becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant asset held by us and our ability to make distributions to our stockholders.

If we foreclose on any properties underlying our investments, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

Provision for loan losses is difficult to estimate, particularly in a challenging economic environment.

In a challenging economic environment, we may experience an increase in provisions for loan losses and asset impairment charges, as borrowers may be unable to remain current in payments on loans and declining property values may weaken our collateral. Our determination of provision for loan losses requires us to make certain estimates and judgements, which may be difficult to determine, particularly in a challenging economic environment. Our estimates and judgements are based on a number of factors, including projected cash flow from the collateral securing our debt; loan structure, including the availability of reserves and recourse guarantees; likelihood of repayment in full at the maturity of the loan; potential for refinancing; and expected market discount rates for varying property types, all of which remain uncertain and are subjective. Our estimates and judgements may not be correct, particularly during challenging economic environments, and therefore our results of operations and financial condition could be adversely impacted.

Risks Related to Debt Financing

For our borrowed money, the potential for gain or loss on amounts invested in us will be magnified and may increase the risk of investing in us.

We intend to use borrowings, also known as leverage, to finance the acquisition of a portion of our investments with credit facilities and other borrowings, which may include repurchase agreements and collateralized loan obligations (“CLOs”). The use of leverage increases the volatility of investments by magnifying the potential for gain or loss on invested equity capital. If we use leverage to partially finance our investments, through borrowing from banks and other lenders, you will experience increased risks of investing in shares of our common stock. If the value of our assets increases, leverage would cause the net asset value attributable to each of the classes of our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock distribution payments. Leverage is generally considered a speculative investment technique. Our ability to execute our strategy using leverage depends on various conditions in the financing markets that are beyond our control, including liquidity and credit spreads. In addition, the decision to utilize leverage will increase our assets and, as a result, will increase the amount of advisory fees payable to the Advisor. The use of leverage will also result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns, if investment results fail to cover borrowing costs, returns will be lower than if there had been no leverage utilized.

We have broad authority to utilize leverage and high levels of leverage could hinder our ability to make distributions and decrease the value of your investment.

Our charter does not limit the amount of leverage we may incur. However, following the commencement of our initial public offering, our charter will provide that our leverage may not

exceed 300% of our total net assets as of the date of any borrowing unless a majority of our independent directors vote to approve any borrowing in excess of this amount. Even though our charter does not limit the amount of leverage we may incur at this time, we intend to limit leverage to 300% of our total net assets. High leverage levels would cause us to incur higher interest charges and higher debt service payments and the agreements governing our borrowings may also include restrictive covenants. These factors could limit the amount of cash we have available to distribute to you and could result in a decline in the value of your investment.

Changes in interest rates may affect our cost of capital and net investment income.

Since we intend to use debt to finance a portion of our investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the performance fee hurdle rate which is used for purposes of calculating the performance fees payable to the Advisor and may result in a substantial increase of the amount of such performance fees.

We may not be able to access financing sources on attractive terms, which could adversely affect our ability to execute our business plan.

We require significant outside capital to fund and grow our business. Our business may be adversely affected by disruptions in the debt and equity capital markets and institutional lending market, including the lack of access to capital or prohibitively high costs of obtaining or replacing capital. A primary source of liquidity for companies in the real estate industry has been the debt and equity capital markets. Access to the capital markets and other sources of liquidity was severely disrupted during the relatively recent global credit crisis and, despite some recent improvements, the markets could suffer another severe downturn and another liquidity crisis could emerge. Based on the current conditions, we do not know whether any sources of capital, other than those currently utilized by us, will be available to us in the future on terms that are acceptable to us. If we cannot obtain sufficient debt and equity capital on acceptable terms, our business and our ability to operate could be severely impacted.

We may not successfully align the maturities of our liabilities with the maturities on our assets, which could harm our operating results and financial condition.

Our general financing strategy is focused on the use of “match-funded” structures. This means that we seek to align the maturities of our liabilities with the maturities on our assets in order to manage the risks of being forced to refinance our liabilities prior to the maturities of our assets. In addition, we plan to match interest rates on our assets with like-kind borrowings, so fixed-rate investments are financed with fixed-rate borrowings and floating rate assets are financed with floating-rate borrowings, directly or indirectly through the use of interest rate swaps, caps and other financial instruments or through a combination of these strategies. We may fail to appropriately employ match-funded structures on favorable terms, or at all. We may also determine not to pursue a fully match-funded strategy with respect to a portion of our financings for a variety of reasons. If we fail to appropriately employ match-funded strategies or determine not to pursue such a strategy, our exposure to interest rate volatility and exposure to matching liabilities prior to the maturity of the corresponding asset may increase substantially which could harm our operating results, liquidity and financial condition.

We may in the future utilize non-recourse securitizations to finance our investments, which may expose us to risks that could result in losses.

We may in the future utilize non-recourse securitizations of certain of our investments to generate cash for funding new investments and for other purposes. Such financing generally involves creating a special purpose vehicle, contributing a pool of our investments to the entity, and selling interests in the entity on a non-recourse basis to purchasers (whom we would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools). We would expect to retain all or a portion of the equity and potentially other tranches in the securitized pool of portfolio investments. Prior to any such financings, we may use other financing facilities to finance the acquisition of investments until a sufficient quantity of investments had been accumulated, at which time we would refinance these facilities through a securitization, such as a CLO. The inability to consummate securitizations to finance our investments could require us to seek other forms of less attractive financing, which could adversely affect our performance and our ability to grow our business. Moreover, conditions in the capital markets, including volatility and disruption in the capital and credit markets, may not permit a securitization at any particular time or may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets. We may also suffer losses if the value of the mortgage loans we acquire declines prior to securitization. In addition, we may suffer a loss due to the incurrence of transaction costs related to executing these transactions. To the extent that we incur a loss executing or participating in future securitizations for the reasons described above or for other reasons, it could materially and adversely impact our business and financial condition. The inability to securitize our portfolio may hurt our performance and our ability to grow our business.

We may use repurchase agreements to finance our investments, which may expose us to risks that could result in losses.

We may use repurchase agreements as a form of leverage to finance our purchase of commercial and multifamily real estate loans and CMBS. Although each transaction under our repurchase agreements has its own specific terms, such as identification of the assets subject to the transaction, sale price, repurchase price and rate, our financing subsidiaries remain exposed to the

credit risk of each asset because they must purchase the asset from the applicable counterparty on a specified date. In addition, repurchase agreements involve the risk that the counterparty may liquidate the assets underlying the repurchase agreements following the occurrence of an event of default under the applicable repurchase agreement by us. Furthermore, the counterparty may require us to provide additional margin in the form of cash or other forms of collateral under the terms of the applicable repurchase agreement. In addition, the interest costs and other fees associated with repurchase agreement transactions may adversely affect our results of operations and financial condition, and, in some cases, we may be worse off than if we had not used such instruments.

Item 9 - Disciplinary Information

Neither the Advisor nor any of its executive officers, members of its investment committee or other “management persons” as defined in Form ADV have been subject to legal or disciplinary events related to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

PCM is the 100% owner of the Advisor and the financial advisor to Prospect Capital Corporation (“PSEC”) and its affiliate Prospect Capital Funding LLC (“PCF”). PCM’s objective with respect to PCRED, PSEC and PCF is to generate both current income and long-term capital appreciation through debt and equity investments.

PCM’s clients also include Prospect Floating Rate and Alternative Income Fund, Inc. (“PFLOAT”), and PCM is also the operating member of one other investment adviser, Priority Senior Secured Income Management, LLC (“PSSIM”). PSSIM is the registered investment adviser to one client, Priority Income Fund, Inc. (“PRIS”), a non-traded closed-end investment company. PCM shares employees with PSSIM, and these employees perform portfolio management functions for each of PSEC, PFLOAT and PRIS.

PCM may also, from time to time, enter into non-discretionary investment advisory agreements with third parties, which may be pooled investment vehicles or institutions, that govern advice with respect to one or more identified investments sourced by PCM. These investment opportunities are generally similar to certain of the types of investment opportunities pursued by PSEC, PCRED, PFLOAT and/or PRIS. The fee arrangements in place with respect to these clients may similarly create an incentive to favor one of these third party clients over PSEC, PCRED, PFLOAT and/or PRIS, or PSEC, PFLOAT, PCRED and/or PRIS over one of these third party clients.

PCM addresses these conflicts through the implementation of policies and procedures that are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds and other clients over time and in a manner that is consistent with applicable laws, rules and regulations.

The Advisor has affiliates that originate commercial mortgage loans, and the Advisor may purchase portfolios of loans, or securities backed by loans, that were originated by the Advisor's affiliates. The Advisor has an incentive to select these proprietary loans and securities because the Advisor's affiliates will earn more compensation when the Advisor does so, and this results in a conflict of interest for the Advisor. PCRED's charter prohibits it from investing in or making mortgage loans in which the transaction is with an affiliate of the Advisor unless an independent expert appraises the underlying property. PCRED must keep the appraisal for at least five years and make it available for inspection and duplication by any of its Stockholders. In addition, PCRED must obtain a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or the condition of the title. PCRED's charter prohibits it from making or investing in any mortgage loans that are subordinate to any mortgage or equity interest of its sponsor, the Advisor, its directors or any of its affiliates.

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

The Advisor has adopted a code of ethics, which includes its policy regarding insider trading. The Code of Ethics also lays out general principles of fiduciary duty to which all of the Advisor's employees must adhere and also sets out various reporting requirements and securities trading restrictions applicable to the Advisor employees and, indirectly, members of their immediate family.

The Advisor permits its officers, members, and employees to engage in personal securities transactions. These officers, members, and employees may buy or sell securities or other instruments that the Advisor has recommended to or purchased on behalf of the PCRED and/or its other clients and may engage in transactions for their own accounts in a manner that is inconsistent with recommendations that the Advisor may make to the PCRED and/or its other clients. A personal securities transaction by an officer, member, or employee may raise potential conflicts of interest when such transaction involves a security that PCRED or another clients owns, or that the Advisor is considering or recommending for purchase or sale to the PCRED or another client. PCRED has adopted and implemented a Code of Ethics that contains policies and procedures and sets forth standards of conduct that are reasonably designed to prevent and detect such conflicts of interest. If or when conflicts of interest arise, they will not affect the transactions or economic interests of PCRED or another client in a manner inconsistent with the Advisor's fiduciary duty to PCRED, any other clients it may have presently or in the future and in accordance with applicable law. A copy of the Advisor's Code of Ethics is available free of charge upon request by contacting Trisha Blackman by email at tblackman@prospectcap.com or by telephone at 212-448-0702.

Item 12 - Brokerage Practices

The Advisor determines the investments to be bought and sold and the amount of any investment to be bought and sold for PCRED based on PCRED's investment objectives and policies and

subject to certain investment restrictions relating to diversification and types of investments as detailed in the Amended and Restated Limited Partnership Agreement of PCRED (the “Partnership Agreement”).

Since PCRED will generally acquire and dispose of investments in privately negotiated transactions, PCRED will infrequently use brokers in the normal course of its business. Subject to policies established by PCRED’s board of directors, the Advisor will be primarily responsible for the execution of the publicly traded securities portion of PCRED’s portfolio transactions and the allocation of brokerage commissions. The Advisor does not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for its client, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While the Advisor will generally seek reasonably competitive trade execution costs, PCRED will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Advisor may select a broker based partly upon brokerage or research services provided to the Advisor and PCRED and any other clients the Advisor may have in the future. In return for such services, PCRED may pay a higher commission than other brokers would charge the Advisor determines in good faith that such commission is reasonable in relation to the services provided.

The Advisor will not effect any principal transactions for its clients’ accounts with any broker-dealers that are affiliated with the Advisor.

Privacy Policy

It is our policy to safeguard the privacy of nonpublic, personal information regarding our individual Stockholders.

What We Do To Protect Personal Information of Our Stockholders

We protect personal information provided to us by our Stockholders according to strict standards of security and confidentiality. These standards apply to both our physical facilities and any online services we may provide. We maintain physical, electronic and procedural safeguards to protect consumer information and regularly review and update our systems to keep them current. We permit only authorized individuals, who are trained in the proper handling of Stockholder information and who need to know this information to do their jobs, to have access to this information.

Personal Information That We Collect And May Disclose

As part of providing our Stockholders with investment products or services, we may obtain the following types of nonpublic personal information:

- information we receive from Stockholders in subscription documents, on applications or other forms, such as their name, address, telephone number, social security number, occupation, assets and income; and

- information about the value of a Stockholder's investment, account activity and payment history.

When We May Disclose Personal Information About Our Stockholders To Unaffiliated Third Parties

We will not share nonpublic personal information about our Stockholders collected, as described above, with unaffiliated third parties except:

- at a Stockholder's request;
- when a Stockholder authorizes us to process or service a transaction, for example in connection with an initial or subsequent investment (unaffiliated third parties in this instance may include service providers such as a custodian, data processor or printer);
- with companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements and who agree to use the information only for the purposes for which we disclose such information to them; or
- when required by law to disclose such information to appropriate authorities.

We do not otherwise provide nonpublic information about our Stockholders to outside firms, organizations or individuals except to our attorneys, accountants and auditors and as permitted by law. We never sell information about Stockholders or their accounts.

What We Do With Personal Information About Our Former Stockholders

If a Stockholder decides to no longer do business with us, we will continue to follow this privacy policy with respect to the information we have in our possession about such Stockholder and his/her account.

Item 13 - Review of Accounts

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

PCRED will make quarterly and annual reports to its investors, consistent with its Governing Documents.

Item 14 - Client Referrals and Other Compensation

The Advisor does not receive an economic benefit from a person who is not a client for providing

investment advice to a client or investor.

The Advisor and/or its affiliates may, in the future, enter into agreements with third parties that may introduce prospective investors to one of its clients. None of the Advisor and/or its affiliates are currently a party to any such agreements. It is expected that such parties will not be related to the operations of the Advisor's clients and any fee paid will be disclosed to the investors introduced by such third parties. The Advisor and its affiliates may pay such commissions or fees out of their own funds or directly charge investors that were introduced through such arrangements.

Item 15 – Custody

The Advisor does not currently have custody of any client assets and, to the extent required by law, such assets are maintained with a qualified custodian.

Item 16 – Investment Discretion

Subject to the Advisory Agreement, the Advisor has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of PCRED.

Item 17 - Voting Client Securities

PCRED may infrequently acquire voting securities. In instances where PCRED owns equity securities in which it has the right to vote via Stockholder proxy (each a "Voting Security"), the Advisor generally retains proxy voting authority with respect to these Voting Securities. The Advisor has adopted and implemented written Proxy Voting Policies and Guidelines that are reasonably designed to ensure that the Advisor votes proxies in the best interests of advisory clients for whom the Advisor has voting authority.

The Proxy Voting Policies and Guidelines describe the positions the Advisor generally takes in voting proxies on particular issues and require the Advisor to keep records with respect to the votes cast. The Proxy Voting Policies and Guidelines also require that: (i) anyone involved in the decision making process disclose any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how the Advisor intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Item 18 - Financial Information

Not applicable.