

Form ADV Part 2A Brochure

Prepared Pursuant to SEC Rule 204 of the Investment Advisers Act of 1940

---

Roc360 Advisors LLC  
645 Madison Avenue, 19<sup>th</sup> Floor  
New York, NY 10022

Phone: 212-607-8333

**This brochure provides information about the qualifications and business practices of Roc360 Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 212-607-8333 or e-mail us at [gail.glidewell@rock360.com](mailto:gail.glidewell@rock360.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Roc360 Advisors LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or training.**

The Date of this brochure is March 28, 2024

**Plain English**

For the sake of clarity, this document has been prepared using a minimum of technical legal language and portfolio management jargon.

**Item 2**

**Material Changes Made to this Brochure**

None.

**Item 3**

**Table of contents**

Advisory Business	4
Fees & Other Compensation	5
Performance-based Fees and Side-by-side Management	7
Methods of Analysis, Investment Strategies and Risk of Loss	8
Other Risk Factors	9
Disciplinary Information	18
Other Financial Industry Activities and Affiliations	19
Code of Ethics and Personal Trading	19
Participation or Interest in Client Transactions	20
Brokerage Practices	21
Reviews of Accounts	21
Client Referrals and Other Compensation	21
Custody	22
Investment Discretion	22
Voting Client Securities	22
Financial Information/Condition	22

## **Item 4**

### **Advisory Business**

Roc360 Advisors LLC (the "Adviser"), a U.S. Securities and Exchange Commission ("SEC") registered investment adviser, is one of several affiliated entities in the Roc Capital Holdings LLC family of companies. At the time of filing of this brochure, the Adviser is a registered investment advisor with registration effective from June 21, 2023.

The Adviser's indirect principals and executive officers are also principals or executive officers of certain other limited partnerships or limited liability companies that serve, directly or indirectly, as general partner or managing member of certain entities affiliated with the Adviser. Please see "Other Financial Industry Activities and Affiliations" below for a further discussion of entities affiliated with the Adviser.

The Adviser has been in business since 2023 and is owned primarily by Arvind Raghunathan, indirectly through his ownership interest in Roc Capital Holdings LLC ("RCH").

### **Types of Advisory Services Offered**

The Adviser provides investment management services to Roc360 Real Estate Income Trust, Inc. (the "REIT" or the "Client"), a Maryland corporation, that has elected to be treated as a real estate investment trust for tax purposes. The REIT is focused on investments in the residential mortgage markets. The Client is currently the sole client of the Adviser.

The investment advisory services provided by the Adviser to the Client focus on, but are not explicitly limited to, investments in residential mortgage loans. The principal focus of the Adviser is on acquiring and managing a portfolio of US business purpose loans, including bridge loans and term loans, and securitizations backed by such loans on behalf of the Client and adjacent opportunities in residential credit. All of the loans purchased by the Client as of December 31, 2023 were originated and are serviced by two affiliates of the Adviser: Loan Funder LLC and Loan Servicer LLC. It is possible that the Client may purchase loans originated and/or serviced by other parties in the future.

As discussed below, the Adviser has entered into a management agreement with the Client that governs the activities of the Adviser. The management agreement includes a set of investment guidelines that outline the type of eligible assets that the Adviser will identify for purchase by the Client. These guidelines are subject to periodical change by the Client. The Adviser will utilize its experience and knowledge of the business purpose loan market to identify suitable loans and investment opportunities for the Client. Please see "Methods of analysis, investment strategies and risk of loss" below for further detail.

### **Client Assets Under Management**

The Adviser provides discretionary investment advisory services to the Client and has discretionary management authority and responsibility over the Client's assets, subject to the terms of the management agreement signed between the parties.

The Adviser had approximately \$495,766,538 in regulatory assets under management as of December 31, 2023, including committed but uncalled capital, and excluding any associated indebtedness.

The Client's funds are utilized to acquire business purpose loans, including bridge loans or term loans, and to invest in adjacent opportunities in residential credit. The Client has signed a master mortgage loan purchase agreement with Loan Funder LLC (an affiliate of the Adviser) that governs the terms under which the Client purchases business purpose loans from Loan Funder LLC. The Adviser will review and approve all assets purchased by the Client, including those assets purchased from Loan Funder LLC.

The Adviser will provide ongoing advice and reporting to the Client's board of directors who will periodically review the Client's investment guidelines and its portfolio of assets but will generally not be required to, and will generally not, review all of its proposed acquisitions. Each purchase from Loan Funder LLC is governed by the terms of the master mortgage loan purchase agreement signed between the Client and Loan Funder LLC. The terms of this master mortgage loan purchase agreement were unanimously approved by the board of directors of the Client. In conducting any periodic reviews, the board of directors of the Client will rely primarily on information provided to them by the Adviser.

## **Item 5**

### **Fees & Other Compensation**

The Adviser is compensated for providing services to the Client pursuant to the management agreement negotiated with the Client which sets out the various fees payable to the Adviser. The fees include the following:

#### *Management Fee*

The Adviser will receive a base management fee accruing daily and calculated and payable quarterly in arrears equal to 0.375% (1.5% annually) of the stockholders' equity, determined as of the close of business on the last day of the applicable calendar quarter ("the Base Management Fee"). The Base Management Fee shall be prorated for partial periods, to the extent necessary.

#### *Profit Sharing Agreements*

The Client is required to pay the Adviser an incentive fee with respect to each fiscal quarter equal to a percentage of the core earnings of the Client over a threshold performance hurdle.

The "Incentive Fee" for each calendar quarter means the positive excess, if any, of (i) the product of (A) 20% and (B) the excess of (1) the core earnings of the Client for the previous 12-month period over (2) the product of (x) the weighted average stockholders' equity in the previous 12-month period and (y) 8% *per annum* over (ii) the aggregate amount of all Incentive Fees paid to the Adviser with respect to the first three calendar quarters of the previous 12-month period; provided however, that no incentive fee will be payable with respect to any calendar quarter unless core earnings for the 12 most recently completed calendar quarters (or such lesser number of completed calendar quarters from the closing date of the first offering of common stock on August 10, 2023) in the aggregate are greater than zero.

#### *Upside Participation*

To the extent that certain indirect investors in the Client experience a liquidity event in the future which results in a net realized value at disposition exceeding the book value of the shares of the REIT, the Adviser or one of its affiliates will receive 50% of the excess above the book value.

#### *Expenses and Allocation of Expenses*

The Client is to reimburse the Adviser and its affiliates for its allocable share of compensation paid to certain employees of the Adviser and its affiliates, including the Chief Financial Officer, Chief Compliance Officer and General Counsel of the Adviser based on the percentage of his or her time spent on the business and affairs of the Client. As of December, 31, 2023, the Adviser has yet to allocate any such expenses to the Client but the Adviser reserves the right to do so in the future.

In addition, the Client will reimburse the Adviser for certain other expenses (including, *inter alia*, corporate finance, investment banking, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel of the Adviser or its affiliates who spend all or a portion of their time managing the affairs of the Client, based on the percentage of time devoted by such personnel to the Client), with the total of certain expenses listed in Exhibit A of the Management Agreement subject to an annual cap. As of December, 31, 2023, the Adviser has yet to allocate any such expenses to the Client but Adviser reserves the right to do so in the future.

#### *Affiliates*

A number of affiliates of the Adviser, all of whom are wholly owned subsidiaries of RCH and controlled by the management of RCH, will also generate revenue from the Client.

**Loan Purchases** - An affiliate of the Adviser, Loan Funder LLC, a licensed business purpose lender, identifies and originates mortgage loans for sale to the Client and is compensated for transactions in accordance with the RCH *Affiliated Transactions Policy and Procedures* and the terms of the master mortgage loan purchase agreement signed between the parties. Loan Funder LLC may receive various fees paid by the underlying borrowers in the loans purchased by the Client including, *inter alia*: upfront points, loan processing/closing fees. All such fees will be disclosed to the Client at quarterly board meetings.

**Origination and Sourcing Fees** - An origination and/or sourcing fee may be paid to RCH or an affiliate thereof by the Client when purchasing residential mortgage loans, securitizations, or other residential assets from non-affiliated third-party originators. The fee compensates RCH for the additional operational time and resources allocated to identify, assess, and value potential assets for purchase by the Client. Such affiliated transaction to be disclosed to the Client in accordance with the *Roc360 Advisors LLC Affiliated Client Transactions Fee Disclosure Policy*.

**Loan Servicing** - An affiliate of the Adviser, Loan Servicer LLC, has been retained by the Client as servicer or master servicer of the bridge loans and term loans owned by the Client. Loan Servicer LLC has been appointed by the Client subject to the terms of a servicing agreement negotiated with the Client.

Loan Servicer is entitled to charge and retain customary servicing fees of 1.5% per annum applied to the aggregate outstanding balance of the loans owned by the Client, plus a share (typically 50%) of certain ancillary fees collected as part of loan servicing. This affiliated transaction is to be disclosed to the Client in accordance with the *Roc360 Advisors LLC Affiliated Client Transactions Fee Disclosure Policy*.

Loan Servicer LLC may outsource certain servicing activities to other loan servicers and sub servicers.

Ancillary services - Certain affiliates of RCH may provide ancillary services on the loans acquired by the Client and generate payment for those services. These affiliates include Tamarisk LLC, an appraisal management company, ElmSure LLC a property and casualty insurance agency, Wimba Title Agency LLC, a property title agency, and Really LLC, a real estate broker. Certain of these fees may be paid for by the Client. The fees generated to be disclosed to the Client in accordance with the *Roc360 Advisors LLC Affiliated Client Transactions Fee Disclosure Policy*.

## **Item 6**

### **Performance-based Fees and Side-by-side Management**

The Adviser charges the Client a performance-based fee for its services, as discussed above. The prospect of earning performance-based fees may create an incentive for the Adviser to make investments that are riskier or more speculative than it would make in the absence of a performance-based fee.

The Adviser initially only has one client, the Client and its wholly owned and consolidated subsidiaries. While the Adviser does charge incentive fees to its clients, a conflict of interest arising in respect to such incentive fee is unlikely to occur. Unless a supervised person working for the Adviser also worked for another adviser or the Adviser advised other clients, there should be no material conflicts. Where the Adviser would manage accounts that pay performance-based fees side-by-side with client accounts that do not pay such fees, there may be an incentive to favor client accounts from which the Adviser expects to receive greater fees. The Adviser will adopt a policy to address any such potential conflicts in the event that it takes on additional clients.

The Adviser or the relevant general partner can waive or reduce the performance-based fee in respect of any investor in the REIT or any potential client at its sole discretion.

Performance-based fees are generally payable on a quarterly basis or upon liquidation of the Client.

### **Allocation Among Clients**

The Adviser is committed to allocating investment opportunities among existing clients and any potential client accounts in a manner that, over time, is on a fair and equitable basis and has a *Loan Allocation Policy* to guide the determination of such allocations. This policy seeks to mitigate the potential that the Adviser will allocate investment opportunities to clients in a self-interested manner.

## **Item 7**

### **Types of Clients**

The Adviser will initially provide investment advice only to the Client and its wholly owned and consolidated subsidiaries.

## **Item 8**

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Strategies**

The Adviser's investment strategy will primarily consist of making investments in a portfolio of residential business purpose loans, including bridge loans and term loans. The REIT may also pursue investments in debt instruments for general corporate purposes and other adjacent investment opportunities in residential credit. As of December, 31, 2023, the Adviser had sourced only bridge loans.

The Adviser's investment strategy and asset allocation will focus on markets where the Adviser has experience and organization knowledge. The principal focus is on sourcing opportunities in the business purpose loan market, both in a structured and a whole loan format with the Adviser targeting the acquisition of bridge and term loan exposures as well as adjacent opportunities in residential credit. Personnel of the Adviser have an extensive track record of originating and managing business purpose loans and will employ this knowledge and experience to the benefit of the Client.

The Adviser will work with loan originators, including affiliates of Adviser, to source loans in a whole loan and structured format to be sold to the Client. As of December, 31, 2023 the Adviser had sourced loans only from Loan Funder LLC. The Adviser's objective is to source assets that align with the investment criteria of the Client with sufficient supply and availability of assets to fully invest the capital of the Client.

In pursuit of its investment objectives, the Adviser will complete the analysis of the suitability of the purchase assets for the Client in accordance with the Client's Investment Guidelines and its own policies and procedures.

The affiliated originator is contractually obliged under the terms of the signed master mortgage loan purchase agreement with the Client, to offer only eligible loans for purchase by the Client. The Adviser will independently validate (via a third party, due diligence provider who will complete due diligence of acquired loans post purchase) that the purchased loans are eligible loans.

The Adviser will proactively manage the portfolio of assets of the Client. The Adviser may employ leverage to enhance the returns generated by the Client including by entering into repurchase agreements with financial institutions and securitizing loan pools and retaining levered exposure (including equity exposure) to the underlying pool of loans. The Adviser can also utilize derivatives instruments including futures contracts, options, and swaps as part of the investment strategy.

The Adviser may also dispose of individual loans (both performing and nonperforming), loan portfolios or tranches/interests in portfolios over time. The investment strategy may vary over time depending on macro-economic trends, market conditions and relative value opportunities, amongst other factors.

### **Methods of Analysis**

The Adviser's principal investment focus is on investments in fixed income, and specifically in business purpose loans where personnel of the Adviser have extensive experience.



---

The Client has signed a master mortgage loan purchase agreement with an affiliated originator, Loan Funder LLC that will adhere to the same, detailed underwriting process and approach to identifying eligible loans for the Client as RCH utilizes for non-Client loans. The underwriting process incorporates an analysis of (i) the loan originator (in the case of loans sourced by third party originators and presented to RCH for potential approval and funding), (ii) the borrower, (iii) the underlying property collateral, (iv) the project viability and exit strategy and (v) legal due diligence. Each loan sourced by Loan Funder LLC is subject to the approval of the Credit Committee of RCH. The Adviser will engage third party due diligence providers to ensure that purchased loans are eligible loans and align to RCH's underwriting guidelines per the terms of the master mortgage loan purchase agreement signed between the parties.

The Adviser will complete analysis of each loan portfolio acquired from RCH on the Client's behalf in line with its *Investment Committee Charter*.

### **Risk of Loss**

While the Adviser seeks to minimize the risk of loss to the Client, the investment strategies involve substantial risks, including the risk of partial or total loss of the Client's investment.

The Adviser provides no assurance to the Client that the target investment strategy will be successful, and that the Client will generate its target returns. No assurance is given that the Client will generate a profit and it is possible that the Client experiences partial or total loss of its investment.

Direct and indirect investors in the Client are sophisticated with the capacity to assess the suitability of the proposed investment strategy for them. Below, we describe material risks related to the investment strategy the Adviser may seek to employ, methods of analysis we and our service providers use, and types of securities and assets the Adviser may recommend. In addition to these risks, the Client will have a myriad of other risks related to, for example, the Client's structure, the liquidity, regulatory, and tax implications of that structure, and an investor's ability to or lack of ability to subscribe and redeem from the Client. These additional risks, which are unrelated to the methods of analysis used by Adviser, the investment strategies employed, and the securities and assets recommended.

### **Other Risk Factors**

The risks of the REIT's strategy include, but are not limited to, the following:

#### **Macroeconomic Risk**

Various sectors of the global financial markets previously have experienced and could in the future experience adverse conditions. The financial services industry generally, and the Client's investment activities in particular, are affected by general economic and market conditions, such as interest rates, availability and spreads of credit, a lack of price transparency, credit defaults, inflation rates, economic uncertainty, changes in tax, currency control and other applicable laws and regulations, trade barriers, and national and international political, environmental and socioeconomic circumstances. Market disruptions in a single country could cause a worsening of conditions on a regional and even global level. A worsening of general economic and market conditions would likely affect the level and volatility of loan and securities prices and the liquidity of the Client's investments, which could impair their profitability, result in losses and impact investment returns. A depression, recession or slowdown in the global economy or one or more

regional markets (or any particular segment thereof) or a weakening of credit markets (including a perceived increase in counterparty default risk) would have a pronounced impact on the Adviser and the Client and could adversely affect their profitability and ability to execute on their business plans, satisfy existing obligations, make and realize investments successfully or draw on existing financings and commitments (including, limited partners' commitments).

Other factors that could negatively affect the Client's business, potentially materially, include the outbreaks of a number of diseases, including avian influenza, H1N1 and other viruses that have increased the risk of a pandemic or major public health issues. Since December 2019, the novel coronavirus ("**COVID-19**") and its variants have spread globally, including in the United States, and have continued to adversely impact global economic activity and contribute to significant volatility in financial markets. The extent of the impact of the COVID-19 pandemic and any other pandemic or major public health issue depends on many factors, including the duration and scope of the public health emergency, the actions taken by governmental authorities to contain COVID-19 and other future public health emergencies and their financial and economic impact, the implementation of travel advisories and restrictions, the efficacy and availability of vaccines, disparities in vaccination rates and vaccine hesitancy, the rise of new variants and the severity of such variants, the impact of the public health emergency on overall supply and demand, goods and services, consumer confidence and levels of economic activity and the extent of its disruption to global, regional and local supply chains and economic markets, all of which are uncertain and difficult to assess. There can be no assurance on the extent of the impact of COVID-19 and any other pandemic or major public health issue on the economy generally or the effect of such pandemics or major public health issues on the Client and its ability to achieve its investment objectives.

Furthermore, a counterparty's ability to meet or willingness to honor its financial obligations could be negatively impacted. Current conditions could affect how counterparties interpret their obligations (and the Client's obligations) pursuant to counterparty arrangements such that the applicability, or lack thereof, of force majeure or similar provisions could also come into question and ultimately could work to the detriment of the Client. These circumstances also could hinder the Adviser's and the Client's ability to conduct its affairs and activities as it normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices and diminishing its ability to make accurate and timely projections of financial performance.

On February 24, 2022, the Russian Federation launched a large-scale invasion of Ukraine, which remains ongoing. In response, the EU, the US, the UK and other countries have passed a variety of severe economic sanctions and export controls against Russia, which have sought to isolate Russia from the world economy, including imposition of sanctions against Russia's Central Bank and largest financial institutions. In addition, a number of businesses have curtailed or suspended activities in Russia or dealings with Russian counterparts for reputational reasons. While current sanctions may not target the Adviser, the Client or their respective investments and industries more generally, these sanctions have had and may continue to have the effect of causing significant economic disruption, and may adversely impact the global economy generally, and the Russian economy specifically, by, among other things, creating instability in the market overall or certain market sectors, reducing trade as a result of economic sanctions and increasing volatility and uncertainty in financial markets, including Russia's financial sector. Any new or expanded sanctions that may be imposed by the EU, the US, the UK or other countries may materially adversely affect the Adviser or the Client's operations. Overall, the situation in Ukraine remains uncertain, and its long-term effect remain to be seen. The further repercussions surrounding the situation in Ukraine are unknown and cannot be predicted, and no assurance can be given regarding the future of relations between Russia and other countries.

While the Adviser expects that the current environment will yield attractive investment opportunities for the Client, the investments made by the Client are expected to be sensitive to the performance of the overall economy. General fluctuations in the market prices of securities and interest rates could affect the value of portfolio investments or increase the risks associated with investments in the Client. There can be no assurances that conditions in the global financial markets will not change to the detriment of the Client's investments and investment strategies. The continuing negative impact on economic fundamentals and consumer and business confidence would likely further increase market volatility and reduce liquidity, both of which could adversely affect the access to capital, ability to utilize leverage or overall performance of the Client or one or more of its portfolio investments and these or similar events could affect the ability of the Client to execute its investment strategies.

### **Interest Rate Risk**

It is envisaged that the Client will invest principally in fixed rate instruments, including both short dated and long dated (30 year) instruments. The value of these instruments is sensitive to changes in interest rates and interest rate fluctuations may adversely affect the level of the Client's net income and the value of its assets and common stock.

The market value of the Client's investments may be affected by changes in interest rates. In general, the market value of a debt investment changes in inverse relation to an interest rate change where a debt investment has a fixed interest rate or only limited interest rate adjustments. Accordingly, in a period of declining interest rates, debt investments without adequate call protection may benefit less than other fixed income securities due to accelerated prepayments. For example, a property securing a business purpose, bridge or term loan may bear interest at a fixed rate while the securitization backed by such loans may bear interest at a floating rate, which can lead to a floating/fixed rate or basis mismatch. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability of such property to generate positive cash flow and make payments on the business purpose loan securitization. Interest rate changes may also affect the Client's return on new investments. Increases in the interest rates on debt incurred by the Client in originating or acquiring investments may not be reflected in increased rates of return on the related investments, adversely affecting the Client's return on those investments.

Actions by the U.S. Federal Reserve (the "Federal Reserve") and other central bankers in recent years in response to significant levels of inflation have included increases in interest rates with the possibility of one or more additional rate increases in the future. Prior rate increases have had and are expected to continue to have a significant effect on interest rates and on the U.S. and world economies generally to an unpredictable extent, which in turn may affect the performance of the Client's investments. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts run a severe risk of being inflationary.

Adviser may furthermore use leverage to increase the target return of the Client, in periods of rising interest rates the cost of leverage may increase exposing the Client to heightened risk and the potential for loss.

### **Credit Risk**

The Client is principally investing in fixed income assets collateralized by loans to real estate investors. Repayment of those loans depends on the credit quality of the underlying borrowers and the viability of the financed project amongst other factors. The Client depends on a borrower's ability to obtain replacement financing at maturity or sell the property to repay the loans. In the event of a borrower's inability to refinance or sell, resulting in a loan default, the Client bears 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 and fees of the loan. Foreclosure of a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on any anticipated return on the foreclosed mortgage loan. To the extent the Fund suffers such losses and costs with respect to the loans, the business, financial condition, liquidity and results of operations could be materially and adversely affected.

The effects of ongoing credit market challenges could result in further price reductions in real estate values, potentially adversely affecting the value of the investments. Declining real estate prices and higher interest rates have caused higher delinquencies and losses on certain mortgage loans, which have exacerbated the current dislocation in the credit markets. These trends could continue. Continued declines in real estate values, sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable-rate mortgage loans or other factors could have further adverse effects on buyers and sellers of real estate, which could adversely affect investments. Further declines in real estate prices coupled with an economic recession and associated rises in unemployment levels could have a material adverse effect on the Client's investments and the overall performance investments.

### **Pricing Risk**

The Client may experience a decline in the fair market value of its assets. The Adviser will periodically review the Client's portfolio of assets and depending on factors including, movements in market risk rates, interest rates, market liquidity, prepayment rates, risk appetite, the market price of the assets may reduce, resulting in losses to the Client.

### **Valuation Risk**

Valuations are provided by the Adviser to the Client on a quarterly basis. Valuations are calculated per the Adviser's Valuation Policy and may consist of a combination of internal pricing model results or third-party assessments. Valuations are estimates and may differ from actual disposition prices.

### **Roc Capital Holdings LLC Default**

The Adviser is a wholly owned subsidiary of Roc Capital Holdings LLC and the officers and employees of the Adviser are largely full-time employees of RCH. A default by RCH may impact on the ability of the Adviser to continue to perform its duties for Client and/or the ability of Loan Funder LLC and Loan Servicer LLC to originate and service loans for Client respectively.

### **Risk of Leverage**

The Client proposes to use leverage in executing its business strategy, to enhance investment returns. Although the use of leverage could enhance returns and increase the number of investments that can be made, it could also substantially increase the risk of loss. A leveraged capital structure will increase the exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the

condition of an investment or its industry, which could impair the ability to finance future operations and capital needs and result in restrictive financial and operating covenants. Under such circumstances, the Client's flexibility to respond to changing business and economic conditions could be limited. The ability to refinance debt securities could depend on their ability to sell new securities in the debt markets or otherwise or to raise capital in the leveraged finance debt markets, which historically have been cyclical with regard to the availability of financing. The availability of debt facilities could be further limited following guidance issued by the Federal Reserve, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation relating to loans to highly leveraged companies. The debt financing utilized by the Client to leverage investments could be collateralized by any assets of the Client.

Financing facilities have financial and non-financial covenants to which the Client needs to adhere, restricting the activities of the Client.

The Client may be exposed to margin calls on repo lending facilities and may be forced to sale of assets in a short time period, at distressed prices, to generate liquidity. The Client has also pledged its interest in its assets to debt providers with default under the credit facilities resulting in the potential sale of the assets of the Client, resulting in a partial or total loss to the Client.

### **Hedging Risk**

In connection with certain investments, the Client can employ hedging strategies that are designed to reduce the risks to the Client of fluctuations in interest rates, as well as other identifiable risks. While the transactions implementing such hedging strategies are intended to reduce certain risks, such transactions themselves could entail certain other risks, such as the risk that counterparties to such transactions could default on their obligations and the risk that the prices and/or cash flows being hedged behave differently than expected. Thus, while the Client could benefit from the use of hedging strategies, unanticipated changes in interest rates or other events related to hedging activities could result in poorer overall performance for the Client than if it had not implemented such hedging strategies. These interest rate hedging arrangements may create additional assets or liabilities from time to time that may be held or liquidated separately from the underlying loan for which they were originally established. Hedging may reduce the overall returns on investments. Failure to hedge effectively against interest rate changes may materially adversely affect the Client's results of operations and financial condition.

The Client may be exposed to margin calls on hedging facilities and may be forced to sell assets in a short time period, at distressed prices, to generate liquidity.

### **Liquidity**

Real estate investments are relatively illiquid, and some are highly illiquid. Such illiquidity could limit the Client's ability to vary its portfolio of investments in response to changes in economic and other conditions. Illiquidity could result from the absence of an established market for investments, as well as the legal or contractual restrictions on their resale. In addition, illiquidity could result from the decline in value of a property comprising the Client's investments. In addition, the ability to exit an investment through the public markets will depend on market conditions, and particularly the market for initial public offerings. The possibility of partial or total loss of capital will exist.

The illiquidity of investments made by the Client may make it difficult for the Adviser to sell such investments if the need or desire arises. Certain target investments are also particularly illiquid investments due to their short life, their potential unsuitability for securitization and the greater difficulty or recovery in the event of a borrower's default. In addition, many of the loans and securities will not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or disposition except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. As a result, many investments made by the Client are illiquid, and if the Adviser is required to liquidate all or a portion of our portfolio quickly, the Client may realize significantly less than the value at which it had previously recorded investments. As a result, the Adviser's ability to vary portfolios in response to changes in economic and other conditions may be relatively limited, which could adversely affect the results of its operations and financial condition.

### **REIT Taxation Risk**

The Client will elect to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), and if the Client does not qualify as a REIT, it will be subject to tax as a regular corporation and could face a substantial tax liability.

The Adviser expects that the Client will operate so as to qualify as a REIT under the Internal Revenue Code. However, qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial or administrative interpretations exist. Notwithstanding the availability of cure provisions in the Internal Revenue Code, various compliance requirements could be failed and could jeopardize the Client's REIT status. Furthermore, new tax legislation, administrative guidance, or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for the Client to qualify as a REIT. If the Client fails to qualify as a REIT in any tax year, then:

- the Client would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct distributions to stockholders in computing taxable income and being subject to US federal income tax on the Client's taxable income at regular corporate income tax rates;
- any resulting tax liability could be substantial and could have a material adverse effect on the Client's book value; and
- unless the Client were entitled to relief under applicable statutory provisions, the Client would be required to pay taxes, and thus, its cash available for distribution to stockholders would be reduced for each of the years during which it did not qualify as a REIT and for which it had taxable income, and the Client generally would not be eligible to requalify as a REIT for the subsequent four full taxable years.

### **Competitive Risk**

The Client competes against other REITs, pension funds, insurance companies, investment funds and companies, partnerships, banks, asset managers and developers for investment opportunities, along with other programs sponsored by the Adviser and its affiliates. Competition from these entities may reduce the number of suitable investment opportunities offered to the Client or increase the bargaining power of borrowers. Additionally, disruptions and dislocations in the credit markets could have a material impact on the cost

and availability of debt to finance or leverage loan acquisitions. The lack of available debt on reasonable terms or at all could result in a further reduction of suitable investment opportunities and create a competitive advantage for other entities with greater financial resources. Furthermore, over the past several years, a number of real estate funds and publicly traded and private REITs have been formed and others have been consolidated for the purpose of investing in real estate and/or real estate-related assets. Additional real estate funds, vehicles and REITs with similar investment objectives may be formed in the future by other unrelated parties and further consolidations may occur, resulting in larger funds and vehicles. This competition may cause acquisition of investments at higher prices or by using less-than-ideal capital structures, and in such case, could cause lower returns and the value of the Client's assets may not appreciate or may decrease significantly below the amount paid for such assets. If such events occur, the Client may experience a lower return on its investment.

### **Sourcing Risk**

The counterparties selected by the Adviser to originate and source business purpose loans for the Client may be unable to source a sufficient volume of loans that meet the investment criteria of the Client, negatively impact the profitability of the Client.

### **Servicing Risks**

The Client will enter into one or more servicing agreements under which an affiliate of the Adviser will, either directly or indirectly via a sub servicer, provide the Client with loan servicing and administrative services, such as the collection and remittance of payments on loans, administration of escrow accounts, handling of insurance claims (including, but not limited to, tracking of collateral and placing insurance in certain circumstances) and foreclosure. Notwithstanding the intention to use an affiliate of the Adviser as servicer, the Client may also enter into servicing agreements with unrelated third parties. The ability of any servicer to effectively service the loan portfolio is critical for success. The failure of any servicer or sub-servicer engaged to effectively service the loan portfolio would adversely impact the business, financial condition, liquidity and results of operations and the ability to make distributions to investors.

The servicers may not effectively service the portfolio for a variety of reasons. If any servicer experiences financial or operational difficulties, it may not be able to perform, or it may curtail, the services required to optimize the value of the portfolio, including, but not limited to, the funding of further construction loan advances or protective advances for delinquent loans. For example, typically a servicer's decision to make advances to borrowers for further construction advances or protective advances is limited to the extent that it expects to recover the advances from the Client. In addition, as with any external service provider, the Client is subject to the risks associated with inadequate or untimely services for other reasons such as fraud, negligence, errors, miscalculations or other reasons. Also, the Client may choose not to enforce, or to enforce less vigorously, certain of the rights under the applicable servicing agreement or other agreement with the Adviser or any affiliate of the Adviser, or other third parties, hired to service loans or perform other services for the Client in an effort to maintain its ongoing relationship with the Adviser or such other affiliate. Servicers may also be adversely affected by regulatory initiatives or other developments arising from increased scrutiny of mortgage loan servicing.

### **Management Agreement**

The Adviser management agreement was not negotiated on an arm's length basis and may not be as favorable to the Client as if it had been negotiated with an unaffiliated third party. In addition, the Adviser's liability is limited thereunder.

The Client's disinterested directors has approved broad guidelines for the Adviser, as outlined in the *Investment Guidelines*, but will not approve each acquisition decision made by the Adviser. There are competing duties and conflicts of interest in the Client's relationship with Adviser, RCH and their affiliates, which could result in decisions that are not in the best interests of its stockholders.

### **Risks and Conflicts Associated with Purchasing Loans from Affiliates**

The Client will purchase a majority of its assets from affiliates of the Adviser. These affiliates will generate fees from the sale of the asset to the Client and are incentivized to offer eligible asset volume capable of fully utilizing uninvested fund of the Client. This risk may be mitigated by the existence of eligibility criteria and concentration limits in the master mortgage loan purchase agreement between the Client and affiliates of the Adviser.

### **Risk Retention Requirements**

The Client may be subject to Risk Retention Rules in the event that its securitizes or tranches portfolios of loans held by the Client. Risk Retention Rules may impact the Client's ability to sell, transfer or hedge risks in certain exposures.

### **Business Purpose Bridge Loans**

Certain mortgage loans may be short-term interest-only loans with a balloon payment, made to real estate investors and secured by non-owner-occupied mortgaged properties, which creates risk. Such mortgage loans are often for the purpose of financing construction, repairs or rehabilitation projects, and the mortgaged properties are often in a general state of disrepair.

### **Business Purpose Term Loans**

Certain mortgage loans may be long-term loans (5-30 years), made to real estate investors and secured by non-owner-occupied mortgaged properties. The repayment of such a loan by the property owner often depends on its tenant's continuing ability to pay rent to the property owner and refinancing of the loan.

### **Appraisal/Valuation**

The appraisals obtained in connection with the origination of the mortgage loans are sometimes used to establish the amount a typically motivated buyer would pay a typically motivated seller at the time the appraisals were prepared. In general, such appraisals represent only the analysis and opinion of the respective appraisers at or before the time made, and are not guarantees of, and may not be indicative of, present or future value. There can be no assurance that another appraiser would not have arrived at a different valuation, even if such appraiser used the same general approach to and the same method of appraising the mortgaged property. In determining the price a "typically motivated" buyer would be willing to pay, appraisers examine comparable sales in a specified locality and adjust the price upward or downward based on the characteristics of the related property. The price a typically motivated" buyer would be willing to pay is



subject to the appraiser's subjective analysis and opinion and could be significantly higher than the amount that would be obtained from the sale of a mortgaged property under a distressed or liquidation sale.

For mortgaged properties where the borrower plans to repair or renovate the property, the after-repair value ("ARV") is based on the expected value of such mortgaged property after the predetermined repairs and/or rehabilitation projects have been completed. There can be no assurance that a Borrower will be able to sell a mortgaged property for the ARV determined by the Originator, which could result in losses.

### **Risks Related to Bridge Loans and Construction and Extensive Rehabilitation Projects**

The Client may originate transitional bridge loans secured by first lien mortgages on a property to borrowers who are typically seeking short-term capital to be used in an acquisition, construction or rehabilitation of a property. The borrowers under such loans are generally limited liability companies or corporations and the transaction is assessed as a commercial, non-recourse transactions as opposed to a traditional mortgage loan with an income based underwriting. The typical borrower under a bridge loan has usually identified an asset that has not been stabilized or has been under-managed and 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 bridge loan, and the Client will bear the risk that it may not recover some or all of its investment. In addition, borrowers usually use the proceeds of a conventional mortgage to repay a bridge loan. Bridge loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the transitional loan. Transitional bridge loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under bridge loans that may be held by the Client, the Client will bear the risk of loss to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest and costs of collection of the bridge loan.

Further, the construction, renovation, refurbishment or expansion by a borrower with respect to a property in transition mortgaged by a short-term senior loan involves risks of cost overruns and noncompletion. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. Other risks may include rehabilitation costs exceeding original estimates, possibly making a project uneconomical, environmental risks and rehabilitation and subsequent leasing of the property not being completed on schedule. If such construction is not completed in a timely manner, or if it costs more than budgeted, the borrower may experience a prolonged impairment of net operating income and may not be able to make payments on the Client's loan investment, which could result in significant losses.

### **Historical Performance Data on Business Purpose Residential Bridge Loans**

Business purpose residential bridge loans are a relatively new mortgage product. The Adviser's originator affiliate has a limited operating history. Due to its limited operating history, the Adviser does not have significant historical data regarding the performance of the mortgage loans originated on the platform. Accordingly, these loans may default more often than more traditional mortgage loans on investment properties.

### **Nature of the Mortgage Loans**

The nature and terms of mortgage loans do not provide investors with certainty regarding the rate, timing and amount of payments to the Client. In addition, the terms of mortgage loans may lack customary provisions that are designed to protect clients. Further, residential mortgage loans are also subject to “special hazard” risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower’s mortgage debt by a bankruptcy court). In addition, claims may be assessed against the Client on account of its position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be “recourse liabilities” or may otherwise lead to losses in excess of the purchase price of the related mortgage or property, which could have a material adverse effect on the Client’s financial condition, results of operations and the Client’s ability to make distributions to its stockholders. In addition, the Client’s mortgage loans are or may be illiquid, and if the Client is required to liquidate all or a portion of its portfolio quickly, it may realize significantly less than the value at which it has previously recorded our investments.

### **Federal and State Laws and Regulations**

Violations of federal or state laws, including laws concerning criminal activity, licensing requirements for originators and servicers and other state and local laws with general principles of equity may limit the ability to collect all or part of the principal of or interest on the mortgage loans and adversely affect distributions to the Client.

### **Mortgage Loans May Have Limited Recourse and Result in Increased Expenses**

Some of the mortgage loans are loans for which recourse may be restricted or unenforceable. Borrowers are typically newly incorporated limited liability companies or corporations with limited assets. However, even with respect to those mortgage loans that provide for recourse against a borrower or guarantor and their assets generally, there can be no assurance that enforcement of the recourse provisions will be practicable or permitted by applicable law, or that the other assets of the borrower or the guarantor will be sufficient to permit a recovery in respect of a defaulted mortgage loan. In addition, the servicer has no obligation, and may be reluctant, to pursue deficiency judgments, even where permitted by applicable law.

There may be legal proceedings pending and, from time to time, threatened against the mortgage loans borrowers and their affiliates relating to the business of or arising out of the ordinary course of business of the borrowers and their affiliates. There can be no assurance that such litigation will not have a material adverse effect on payments due under the related mortgage loans.

## **Item 9**

### **Disciplinary Information**

The Adviser has registered with the SEC as an investment adviser. The Adviser has no disciplinary record with the SEC or with any other regulatory authority, domestic or foreign. In the ordinary course of business, the Adviser, along with many other registered investment advisers, may be examined by the SEC, and may be requested to amend certain policies, procedures or practices to better conform with applicable regulation.

## **Item 10**

## **Other Financial Industry Activities and Affiliations**

As noted above, the Adviser is one of several affiliated financial companies, including RCH and companies in respect of which RCH is the sole member. These include:

### RCH

- RCH is the sponsor of a September 2021 issued bridge loan securitization vehicle, Roc Mortgage Trust 2021-RTL1.

### Wimba Title Agency LLC (“Wimba”)

- Wimba is a multi-state title insurance and settlement agency that offers a variety of abstracting, title insurance products, title reading and settlement services to borrowers of RCH and the broader real estate market. Wimba is licensed in 24 states as of May 17, 2023.
- A principal member of RCH is also a Director of Wimba.

### ElmSure LLC (“ElmSure”)

- ElmSure is a nationwide insurance agent that offers property and casualty insurance to borrowers of RCH, other lenders and the broader real estate market through a range of insurance carriers. A principal member of RCH is an advisor to ElmSure.

### Really LLC (“Really”)

- Really is a NY and California licensed real estate broker. Since formation, Really has engaged in limited activities; however, the company may be used in the future to market REO properties that are serviced by Loan Servicer LLC for sale, where Really LLC is appropriately licensed.

### Loan Funder LLC (“Loan Funder”)

- Loan Funder is a business-purpose lender, licensed in various states. Loan Funder is an entity through which RCH closes and funds its loan originations.

### Loan Servicer LLC (“Loan Servicer”)

- Loan Servicer is a bridge loan servicer that master services most of the bridge loans originated by Loan Funder.

Each of the affiliates listed above are operationally dependent on RCH and share a common management/control structure, pooled resources including employees, central services, office locations, and IT infrastructure. The majority, or all, of the business of these affiliates is generated from customers of RCH.

The Adviser will initially provide advisory services to the Client only, but its affiliates may serve as the general partner or managing member of other entities.

## **Item 11**

### **Code of Ethics and Personal Trading**

The Adviser has adopted a Code of Ethics (the "Code") that sets forth standards of conduct expected of all the Adviser's personnel. The Code describes key legal and fiduciary standards and requires personnel to comply with all applicable laws and regulations. The Code also includes policies addressing outside activities, giving and receiving of gifts or entertainment, and personal investment activity by personnel in their own accounts.

Under the Code, personnel are permitted to invest for their own accounts, but are prohibited from engaging in certain transactions that may present a conflict of interest. Further, covered persons are required to maintain records of their transaction history and to make them available to the Adviser. This policy is intended to help mitigate the risk that RCH personnel misuse inside information or otherwise engage in inappropriate investment for their own accounts.

**A copy of the Code of Ethics is available to the Client and prospective clients upon request.**

### **Participation or Interest in Client Transactions**

The Adviser will recommend the purchase or sale of certain securities from affiliates of RCH. This is done in a manner that is consistent with the best interests of the Client, applicable law, and the governing, advisory, and other documents related to the Client.

The Adviser's compliance policy establishes a set of guidelines for entering into principal trades between the Client, or any future client, and the proprietary accounts of our affiliates. Where a principal transaction exists, the Adviser must determine whether such transaction is in the Client's best interest, disclose the material terms of the proposed transaction and receive consent before executing the transaction.

### **Principal Transactions**

The Adviser or its affiliates may participate on the Client's behalf in principal transactions. However, the Adviser would not be permitted to do so if the Adviser does not obtain appropriate approvals from the Client's board or as otherwise provided by the governing documents of the Client.

### **Pre-Clearance of Certain Personal Securities Transactions**

The Code requires pre-clearance of certain securities transactions and restricts trading in close proximity to Client trading activity. Given the nature of the activities of the Client (*i.e.* investing in business purpose loans), the potential for trading overlap between the Client and supervised persons is low. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as the Client, there is a possibility that employees might benefit from market activity by the Client in a security held by an employee. Employee trading is continuously monitored under the Code to reasonably mitigate conflicts of interest between the Adviser and the Client.

### **Ban on Insider Trading**

The Adviser uses third-party software to monitor employees' personal trading, personal securities holdings, and other aspects of the compliance program such as political contributions and the provision of gifts and entertainment. On a quarterly basis, employees are required to attest their personal holdings and transactions are accurate and to correct any discrepancies.

## **Item 12**

### **Brokerage Practices**

The Adviser has discretion to select broker-dealers to effect client account transactions. To the extent necessary the Adviser will follow certain protocol. In selecting broker-dealers, the Adviser will take into consideration the broker-dealers' general ability to execute transactions in a timely manner; their experience with the asset class or types of securities relevant to the transaction; and the reasonableness of fees and commissions. Within the bounds of Adviser's duty to provide "best execution" for its client accounts, Adviser may cause the accounts to pay higher fees or commissions than might be available through other broker-dealers. Adviser may have an incentive to select or recommend a particular broker-dealer, but Adviser will always take into account a combination of qualitative and quantitative factors in determining which broker-dealers to use for client account transactions, including commission cost, responsiveness of the broker-dealer, willingness to assume principal risk, and other qualitative factors as discussed above. Presently, Adviser has not entered into any soft dollar or directed brokerage arrangements with any broker-dealer but may enter into such arrangements in the future. Such arrangements shall be consistent with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser's brokerage practices on behalf of its clients may be modified based upon the governing documents of the Client and agreements with this parties to which the Adviser and the Client are bound.

## **Item 13**

### **Reviews of Accounts**

The Adviser's analytic approach is detailed above in *Item 8, Investment strategies*. The Adviser is actively involved in the planning and execution of the Client's accounts and financial plan. Part of this process will involve both periodic and ongoing review of the Client's portfolio.

In forming its advice on loan purchases (including purchases of loan portfolios), the Adviser completes an analysis of each portfolio which is presented to, and approved by, its Investment Committee with a third-party due diligence provider retained to complete due diligence on each individual loan purchase.

## **Item 14**

### **Client Referrals and Other Compensation**

While the Adviser has investment banking relationships with major financial institutions, and those institutions may provide introductions to the Adviser or the Client, the Adviser has not engaged any person to provide it with client referrals. In the future, the Adviser may engage one or more counterparties to provide client referrals. Any such referral arrangement will be executed in a manner consistent with Adviser's compliance policies and procedures, including its Code of Ethics.

## **Item 15**

## **Custody**

With certain exceptions, Rule 206(4)-2 under the Investment Advisers Act, commonly known as the "Custody Rule," requires registered investment advisers who are deemed to have custody of client funds and securities to satisfy certain requirements. An adviser is deemed to have custody of client assets when it has the authority to obtain possession of them. Under this standard, the Adviser is deemed to have custody of the funds and securities of the Client.

All of the Client's assets are held with independent financial institutions. The Client has a board of directors that retains oversight powers over the transactions and assets of the Client.

## **Item 16**

### **Investment Discretion**

The Adviser will customarily have and exercise discretionary investment authority over client accounts, and the Adviser will exercise such discretion with respect to the Client. Within broad guidelines, the Adviser will have authority to make trades on behalf of the Client.

## **Item 17**

### **Voting Client Securities**

As the Client focuses on bridge and investor term loan products, the voting of proxies will generally not be an operational concern. In the event that Adviser does have, or accepts, authority to vote client proxies, its activity would be in accordance with the protocol established in Adviser's compliance policies and procedures. As part of the Adviser's management obligations, it may be required to vote proxies on equity securities held in client portfolios (unless the client assumes that responsibility). In accordance with applicable law, including Rule 206(4)-6 of the Advisers Act, we have prepared procedures to govern how such proxies are voted. The policies and procedures address the handling of conflicts of interest that may arise in the voting of proxies. Our vote on any matter regarding any issuer's equity securities will be recorded and kept on file in our office. The Client may request to see how we voted any proxy, and obtain an explanation as to why we voted as we did. Requests for an explanation of votes, or for a copy of Adviser's proxy voting policies and procedures, should be sent to the address listed on the cover page.

## **Item 18**

### **Financial Information/Condition**

The Adviser is solvent and is not in a "precarious financial condition" (as that phrase is defined or used by the Commission). The Adviser is not currently aware of any financial condition affecting the Adviser that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

### **For Further Information Please Contact:**

Gail Glidewell  
Roc360 Advisors, LLC  
645 Madison Avenue, 19th Floor

New York, NY 10022

Phone: 212-607-8332

Email [gail.glidewell@roc360.com](mailto:gail.glidewell@roc360.com)

### **Concerning Communications with Clients; Additional Information**

The Adviser seeks to communicate with clients in the most efficient manner possible. To that end, the Adviser intends to use e-mail to communicate with clients in lieu of paper mail, unless otherwise requested. The Client should expect all communications to be effected electronically once it has provided preferred e-mail addresses and appropriate consents to an authorized the Adviser representative. The Client may be asked to provide consent to the receipt of regulatory disclosures or other documents, statements and other information in electronic form, and are urged to provide such consents, as this will accelerate the receipt of important information.