



## **RM ADVISER, LLC**

10780 Santa Monica Blvd., Suite 140

Los Angeles, CA 90025

Phone: (310) 907-7129

Fax: (310) 907-7619

[www.realtymogul.com/adviser](http://www.realtymogul.com/adviser)

September 20, 2016

Part 2A of Form ADV: Firm Brochure

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

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

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

**Item 2:           Material Changes**

RM Adviser submitted this ADV Part 2 as an amendment to its initial filing to reflect the departure of Ryan Sakamoto as General Counsel of the Firm.

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

##### Advisory Firm Description

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

##### Types of Advisory Services

Starting as of the effective date of its registration with the Securities and Exchange Commission (“**SEC**”), RM Adviser provides two main types of investment advisory services: (1) non-discretionary services provided through an interactive, web-based investment calculator (“**Investment Calculator**”) available to registered members of the Platform, and (2) discretionary management of an affiliated real estate investment trust, MogulREIT I, LLC (the “**Initial REIT**”).

##### *Interactive Investment Calculator*

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

A link provided at the bottom of the results page provides investors the opportunity to browse available real estate investments on the Platform. These investments include (i) “borrower payment dependent notes” (“**BPDNs**”) that fund first priority mortgage loans, and whose payments are dependent on borrower’s payments on the loans, (ii) equity interests in special purpose vehicles that each invest in one company whose primary business is to own and renovate or operate one or more specified commercial real estate projects (“**Single Purpose Funds**”) managed by RM Manager, LLC (“**RM Manager**”), an affiliate of RM Adviser, and (iii) equity interests in the Initial REIT managed by RM Adviser, described in more detail below. Only investors who are accredited investors (as defined in Regulation D under the Securities Act of

1933 (the “**Securities Act**” and “**Regulation D**”) have access to BPDNs, Single Purpose Funds or other investment opportunities offered as private placements pursuant to Regulation D. Although investors who use the Investment Calculator are free to follow the advice provided by investing off the Platform, the recommendations are limited to the types of real estate-related investments available on the Platform.

#### *Management of MogulREIT I, LLC*

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

RM Adviser’s advice to the Initial REIT is limited to real estate or real estate-related investments (typically in the commercial real estate sector) such as direct investments in real estate, first priority mortgage loans, subordinated mortgage loans (also referred to as B Notes), mezzanine debt and participations therein, equity interests in companies whose primary business is to own and renovate or operate one or more specified commercial real estate projects, and debt securities whose payments are tied to a pool of commercial real estate projects (such as commercial mortgage-backed securities, or “**CMBs**,” and collateralized debt obligations, or “**CDOs**”). To a limited extent, RM Adviser may advise the Initial REIT to invest available cash in liquid securities from time to time in order to minimize cash drag where sufficient funds or more typical investment opportunities are not then available. In addition, as discussed below, RM Adviser may employ a subadviser that invests excess cash held by the Initial REIT.

#### Tailored Advisory Services and Restrictions

##### *Investment Calculator*

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

##### *The Initial REIT*

RM Adviser tailors its advisory services to the investment strategies, terms and conditions of the Initial REIT, as described in the offering circular for the Initial REIT, available at [www.realtymogul.com/MogulREIT](http://www.realtymogul.com/MogulREIT). Among other restrictions, RM Adviser manages the Initial REIT so that it complies with restrictions related to Internal Revenue Service (“**IRS**”) requirements for qualification as a REIT and/or requirements applicable to the Initial REIT’s exemption from registration as an investment company under the Investment Company

Act of 1940 (“**Investment Company Act**”). RM Adviser does not tailor its advisory services to the individual needs or circumstances of investors in the Initial REIT.

#### Wrap Fee Program

RM Adviser does not participate in any wrap fee program.

#### Assets Under Management

As of September 20, 2016, RM Adviser managed approximately \$1,100,000 of client assets on a discretionary basis. All investment advice provided by RM Adviser through the Investment Calculator is provided on a non-discretionary basis. All assets of the REIT are managed by RM Adviser on a discretionary basis.

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

#### The Investment Calculator

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

- (i) Realty Mogul, RM Adviser’s parent, or an affiliated lending and servicing entity (collectively, the “**RM Originators**”) may receive fees based on the loans originated and funded through the sale of BPDNs.
- (ii) RM Manager, an affiliated adviser of RM Adviser that is an exempt reporting adviser with the SEC, receives fees based on investments in the Single Purpose Funds offered through the Platform.
- (iii) Sales of securities on the Platform are conducted by North Capital Private Securities Corp. (“**NCPS**”), a registered broker-dealer and member of the Financial Industry Regulatory Authority (“**FINRA**”) and the Securities Investor Protection Corporation (“**SIPC**”). Certain employees of Realty Mogul are registered representatives of NCPS, and each of NCPS and these registered representatives receive compensation in connection with their activities selling securities available on the Platform.
- (iv) Affiliates of RM Adviser may also receive the additional fees described below if investors who use the Investment Calculator choose to invest in the Initial REIT.

Clients will not have an opportunity to negotiate any of these fees. The specific details of all fees are disclosed to investors in investments on the Platform.

#### The Initial REIT

#### *Management Fees*

RM Adviser charges a management fee to the Initial REIT at an annual rate of 1% of assets under management, paid quarterly in arrears, for advising and administering the REIT. Through September 30, 2017, the management fee will be based on net offering proceeds for the Initial REIT. RM Adviser deducts the management fee directly from the Initial REIT's assets. The management fee is non-negotiable.

The management fee is paid regardless of the performance of the Initial REIT, and is payable based on all assets held by the Initial REIT, including any investments acquired through debt financing. This fee structure may reduce RM Adviser's incentive to devote time and effort to seeking investments that provide attractive risk-adjusted returns, and may provide an incentive for RM Adviser to seek debt financing in order to increase assets under management and earn an increased management fee.

#### *Other Fees and Expenses*

The Initial REIT may pay certain other fees and expenses to RM Adviser and/or its affiliates in connection with RM Adviser's advisory services, including the following:

- (i) During the organization and offering stage, RM Adviser pays all organization and offering expenses on behalf of the Initial REIT, and is entitled to full reimbursement from the Initial REIT for the total cost of organization and offering expenses. Reimbursable expenses are deducted from the Initial REIT's assets as they are incurred. It is estimated that these fees will total \$300,000 to \$1,500,000.
- (ii) The Initial REIT reimburses RM Adviser for ongoing out-of-pocket expenses RM Adviser incurs on the Initial REIT's behalf, including without limitation expenses made in connection with acquiring and disposing of securities and other assets the Initial REIT acquires, including fees in respect of title and similar loan-related services, transfer of ownership of a security, environmental site assessment and property condition assessment, site inspection, appraisal, underwriting, processing, legal, lien and bankruptcy services, and risk analysis, as well as license fees, auditing fees, fees associated with SEC reporting requirements, increases in insurance costs, Delaware taxes and filing fees, administration fees, fees for the services of an independent representative, and third-party costs associated with the aforementioned expenses. Reimbursable expenses are deducted from the Initial REIT's assets as they are incurred.
- (iii) Many of the loans or similar investments that RM Adviser recommends to the Initial REIT are originated by the RM Originators. In connection with these loans or investments, the Initial REIT pays servicing and administrative fees to a loan servicer, which may be Realty Mogul, an affiliate or a third-party loan servicer. This fee is typically .50% of the principal balance of each loan or similar investment. The servicing fee is calculated as an annual percentage of the stated value of the asset, and is deducted at the time that payments on the asset are made. The fee is deducted in proportion to the split between accrued and current payments. The Initial REIT also typically pays a 1% special servicing fee on the original value of a loan or investment to the servicer, in addition to other out-of-pocket expenses payable to third parties such as legal fees or foreclosure expenses, in the event that it is deemed to be a non-performing asset by RM Adviser. Borrowers may also pay to an RM Originator a fee of 1-3% for the origination of loans that are eventually sold to the Initial REIT.

- (iv) The Initial REIT is responsible for fees payable to the custodian, administrator, and transfer agent in respect of the Initial REIT's assets and records, as well as audit and tax return preparation and filing fees and for any taxes owed. These fees are deducted from the Initial REIT's assets as they are incurred.

All the above fees and expenses are non-negotiable and are charged and deducted directly from the Initial REIT's assets. Brokerage fees are discussed further below.

#### Overhead and General Operations

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

#### Fees Paid in Advance

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

#### Compensation for the Sale of Securities

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

#### Brokerage Fees

Certain investments made by investors who use the Investment Calculator (through their own investing) and by the Initial REIT (on a discretionary basis by RM Adviser) will be made through Mogul Securities, LLC ("**Mogul Securities**"), an affiliate of RM Adviser that is a registered broker-dealer and member of FINRA, or NCPS, and their respective registered representatives. Certain of these registered representatives are also supervised persons of RM Adviser, as described below under Item 12, "Brokerage Practices." Mogul Securities, NCPS, and their registered representatives may receive compensation based on either (1) the sale of the Initial REIT's shares, which fees will be paid by the Sponsor or an affiliate, (2) purchases of interests in the BPDNs and/or Single Purpose Funds made by investors who use the Investment Calculator, which fees are generally paid by the sponsor or issuer of the securities as described above; or (3) certain equity investments made by the Initial REIT, which fees are generally paid by the sponsor or issuer of the securities.

The actual amounts of brokerage fees paid based on sales of shares of the Initial REIT is dependent upon the offering proceeds raised. The broker sales commission payable to Mogul Securities, assuming the maximum amount of this offering is raised and a 0.33% commission is paid on each executed sale, will be \$165,000. Mogul Securities and/or NCPS may receive up to a 5% brokerage fee associated with services provided for equity investments purchased by the Initial REIT, subject to a minimum fee of \$50,000 per transaction.

None of these fees are paid by investors who purchase securities through the Platform (including based on advice provided by the Investment Calculator), investors in the Initial REIT, or the Initial REIT; however,



where these fees are paid by an issuer, they may indirectly have the effect of lowering the return investors would receive in the absence of these fees.

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

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

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

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

Neither RM Adviser nor any supervised person of RM Adviser is currently compensated for advisory services with performance-based fees. If, in the future, RM Adviser or a supervised person will receive performance based compensation, RM Adviser will update this Form ADV to describe such fees and address any conflicts of interest that arise in connection with them.

**Item 7: Types of Clients**

RM Adviser advises (i) investors who seek advice using the Investment Calculator, and (ii) the Initial REIT.

Users of the Investment Calculator

Investors who use the Investment Calculator are limited to registered users of the Platform. There is no investment requirement to use the Investment Calculator, although many of the investment opportunities displayed on the Platform are available only to accredited investors as defined in Regulation D, and there are different minimum investments for each investment available through the Platform. Typically, the lowest minimum investment amount for private placements is \$10,000. Investments in the Initial REIT may be made in amounts as low as \$1,000, or as otherwise specified on the Platform.

## The Initial REIT

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

Although investors in the Initial REIT are not clients of RM Adviser, they are subject to certain restrictions when investing in the Initial REIT. Initially, the minimum investment in common shares for the Initial REIT is 250 shares, or \$2,500 based on the current per share price. In RM Adviser's discretion, the Initial REIT may in the future increase or decrease the minimum investment amount for all new purchasers.

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

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

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

### Investment Strategies

#### *Investment Calculator*

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

on pre-determined profiles developed by RM Adviser, which are selected and displayed based on an algorithm that applies the information provided by the user.

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

#### *The Initial REIT*

RM Adviser's investment strategy is to use all of the proceeds of the Initial REIT's offering to acquire, leverage, syndicate and sell investments in a variety of real estate loans and other investments in real estate, primarily in the commercial real estate sector. The Initial REIT is managed to hold both mortgage or other debt-related investments and equity investments, with an objective of achieving both (i) consistent cash distributions based on recurring inflows from interest payments, in the case of loan-based investments, or rents, in the case of equity investments, and (ii) income growth and capital gains driven by appreciation from equity investments.

RM Adviser generally manages the Initial REIT with an objective of seeking to create and maintain a portfolio of investments that generate a low-volatility income stream of attractive and consistent cash distributions. RM Adviser's recommendations relating to investing in debt instruments emphasize the payment of current returns to investors and preservation of invested capital. RM Adviser also diversifies the Initial REIT's portfolio by investing in equity investments, subject to certain limitations related to the Initial REIT's qualification as a REIT and/or to maintain its exemption under the Investment Company Act, as applicable. In addition, RM Adviser may employ a subadviser to invest the Initial REIT's cash (and associated leverage) in publicly-traded REITs. RM Adviser's recommendations relating to investing in equity investments are to seek investments that will produce returns to investors through rental income and capital appreciation. The investment objectives for the Initial REIT are to achieve attractive, risk-adjusted returns that exceed alternative real estate investment offerings.

#### Methods of Analysis

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

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

### *Identification of Investments for the Initial REIT*

RM Adviser sources potential investment opportunities for the Initial REIT exclusively using investments available on the Platform. In addition, when considering whether, and in what manner, a potential investment opportunity should be purchased by the Initial REIT, RM Adviser may consider and assess the appropriateness of each investment opportunity to the investment policies of the Initial REIT; diversification and current asset concentration of the Initial REIT; the amount of capital available at the time an investment is presented; requirements for conformity with IRS requirements for qualification as a REIT; requirements applicable to the Initial REIT's exemption from registration as an investment company under the Investment Company Act; and other similar factors.

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

### Risk of Loss

Investing in real estate and real estate-related assets and securities involves risk of loss that clients, as well as investors in the Initial REIT, should be prepared to bear, including without limitation the risk of all or substantial loss of principal. No return is guaranteed, and there can be no assurances that users of the Investment Calculator, the Initial REIT or investors in the Initial REIT will achieve their desired return or risk profiles.

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

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

The following explanation of certain risks is not exhaustive, but rather highlights the significant risks involved in our investment strategies and methods of analysis. Additional detail on the specific investment

opportunities recommended to investors through the Investment Calculator, and their associated risks, is provided on the portion of the Platform dedicated to each investment. More detail on the investment strategy of the Initial REIT is included in its offering documents, which are provided to each investor prior to investing in the Initial REIT.

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

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

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

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

**Economic Recession and Decrease in Real Estate Values.** Investments in real estate-related assets may be susceptible to economic slowdowns or recessions, which could lead to financial losses with respect to an investment and a decrease in revenues, net income and assets. An economic slowdown or recession, in

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

#### *Other General Risk Factors*

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

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

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

**Lack of Operating History of RM Adviser.** RM Adviser will be a newly formed entity and therefore will have no operating history upon which prospective clients may evaluate its performance. The performance of prior investment entities or companies associated with the executives of RM Adviser is not necessarily indicative of future results. While RM Adviser intends to recommend investments that have estimated

returns commensurate with the risks undertaken, there can be no assurances that an investment will not incur significant losses. The loss of any client's or investor's entire principal is possible.

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

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

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

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

*Risks Specifically Associated with the Investment Calculator*

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

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

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

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

**No Analysis of Taxation.** In making investment recommendations there are a number of factors that RM Adviser does not consider, including but not limited to the specific tax implications of an investment and/or the individual client. Each client must rely on its own examination and that of its financial, tax and legal advisors in evaluating the merits and risks involved in selecting an investment. Clients should not construe the contents of any recommendation made by RM Adviser as tax advice. Each Client must rely upon its own representatives as to tax and other aspects of an investment and as to its suitability for such client.

**Advisory Risk.** There is no guarantee that the Investment Calculator's analysis of particular securities or asset classes will necessarily produce the intended results. The Investment Calculator's algorithm may prove to be incorrect, and clients might not achieve their investment objectives. RM Adviser may also make



future changes to the algorithms and advisory services that it provides, and in such a case RM Adviser will not retroactively adjust any recommendations made previously to users of the Investment Calculator.

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

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

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

#### *Risks Specifically Associated with the Initial REIT*

**Risks Related to Identification of Investments and Due Diligence.** Before making an investment, RM Adviser assesses the strengths and weaknesses of each originator or issuer of an asset as well as other factors and characteristics that are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, RM Adviser relies on resources available to it and, in some cases, an investigation by third parties. This process is particularly important with respect to newly formed originators or issuers with unrated and other subordinated tranches of CMBS and CDOs because there may be little or no information publicly available about these entities and investments. There can be no assurance that RM Adviser's due diligence process will uncover all relevant facts or that any investment will be successful.

In addition, the methods of analysis that RM Adviser employs when determining whether to recommend that the Initial REIT make a particular investment may be subjective and are subject to its assessment of

many variables, including those described above in this Item 8. These variables (among others) and their impact on the Initial REIT may cause the Initial REIT to lose money over short or long periods. As a result, there can be no assurance that RM Adviser's recommendations will satisfy the investment objectives of the Initial REIT or that the Initial REIT will be able to carry out its investment strategy successfully.

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

**Limited Number of Investments.** Particularly in the period after the Initial REIT is initially formed, the Initial REIT may hold a limited number of investments or a limited number of asset classes and, as a consequence, the aggregate return of the Initial REIT may be substantially adversely affected by the unfavorable performance of even a single investment. Further, as a Regulation A offering, the Initial REIT is only allowed to raise up to \$50 million in any 12-month period (although the Initial REIT may raise capital in other ways). RM Adviser expects the size of the commercial real estate loans and equity investments will average about \$1.0 million to \$5.0 million per asset. As a result, the amount of proceeds raised may be substantially less than the amount needed to achieve a diversified portfolio of real estate investments, even if the Initial REIT is successful in raising the maximum offering amount. If the Initial REIT does not raise substantial funds, there will be fewer investments resulting in less diversification in terms of the type, number and size of investments. In that case, the likelihood that any single asset's performance would adversely affect the Initial REIT's profitability will increase.

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

**Illiquidity of Investments in the Initial REIT.** Currently, there is no public market for the Initial REIT's shares. While RM Adviser may explore developing a secondary trading market for the REIT's common shares or listing the Initial REIT's shares on an exchange, it is possible that the REIT will not be able to, or will decide not to. The Initial REIT has adopted a redemption plan whereby shareholders may redeem up to 25% of their shares quarterly. During the first 3 years following the record date of a purchase, the per share redemption price will be calculated based on the lesser of \$9.50 or the most current net asset value ("NAV") per share. Thereafter, the per share redemption price will be calculated based on the most current NAV per share. Depending on when the shares are redeemed, the NAV per share may be subject to a 3-5% discount. Shares are not redeemable until they have been held for at least six months. RM Adviser may amend, suspend or terminate the Initial REIT's redemption plan without notice.

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

**Illiquidity of Investments by the Initial REIT.** Most investments purchased by the Initial REIT are highly illiquid. It is unlikely that there will be a public market for most of the investments. The Initial REIT may not be able to sell assets purchased by the REIT unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases, the Initial REIT may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by the Initial REIT may be such that they require a substantial length of time to liquidate. In the event of a margin call at a time in which the Initial REIT does not have sufficient cash assets to cover such call, the Initial REIT may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the Initial REIT.

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

**Investing in CMBSs.** In general, the risk factors described above pertaining to mortgage loans also similarly apply to any mortgage-backed security in which the Initial REIT invests. In addition, in a rising interest rate environment, the value of CMBS may be adversely affected when repayments on underlying mortgage loans do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated assets but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality securities because the ability of obligors of mortgages underlying CMBS to make principal and interest payments or to refinance may be impaired. In this case, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal on these securities. The value of CMBS also may change due to shifts in the market's perception of issuers and regulatory or tax changes adversely affecting the mortgage securities markets as a whole. In addition, CMBS are subject to the credit risk associated with the performance of the underlying mortgage properties.

CMBS are also subject to several risks created through the securitization process. Certain subordinate CMBS are paid interest only to the extent that there are funds available to make payments. To the extent the collateral pool includes a large percentage of delinquent loans, there is a risk that interest payment on

subordinate CMBS will not be fully paid. Subordinate securities of CMBS are also subject to greater risk than those CMBS that are more highly rated.

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

**Investing in CDOs.** RM Adviser may advise the Initial REIT to invest in CDOs, subject to certain limitations related to its qualification as a REIT and to maintaining its exemption under the Investment Company Act. CDOs are multiple class debt securities, or bonds, secured by pools of assets, such as mortgage-backed securities, B-Notes, mezzanine loans, REIT debt and credit default swaps. Like typical securities structures, in a CDO, the assets are pledged to a trustee for the benefit of the holders of the bonds. Like CMBS, CDOs are affected by payments, defaults, delinquencies and losses on the underlying commercial real estate loans. CDOs often have reinvestment periods that typically last for five years during which proceeds from the sale of a collateral asset may be invested in substitute collateral. Upon termination of the reinvestment period, the static pool functions similarly to a CMBS securitization, where repayment of principal allows for redemption of bonds sequentially. To the extent the Initial REIT invests in the equity securities of a CDO, it will be entitled to all of the income generated by the CDO after the CDO pays all of the interest due on the senior debt securities and its expenses. However, there will be little or no income or principal available to the CDO equity if defaults or losses on the underlying collateral exceed a certain amount. In that event, the value of its investment in any equity class of a CDO could decrease substantially. In addition, the equity securities of CDOs are generally illiquid and often must be held by a REIT. Because they represent a leveraged investment in the CDO's assets, the value of the equity securities will generally have greater fluctuations than the values of the underlying collateral.

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

**Risks Related to Minimal Operating Capital.** The Initial REIT has minimal operating capital, and for the foreseeable future will be dependent upon its ability to finance its operations from the sale of equity or

other financing alternatives. There can be no assurance that the Initial REIT will be able to successfully raise operating capital. The failure to successfully raise operating capital, and the failure to attract qualified real estate companies and sufficient investor purchase commitments, could result in the Initial REIT's bankruptcy or other event which would have a material adverse effect on the Initial REIT and the value of its shares. The Initial REIT has no significant assets or financial resources, so such an adverse event could put investment dollars at significant risk.

**Lack of Operating History.** The Initial REIT will be a newly formed entity and therefore will have no operating history upon which prospective investors may evaluate its performance or base a prediction of future success or failure. The performance of prior investment entities or companies associated with the executives of RM Adviser is not necessarily indicative of the Initial REIT's future results. While RM Adviser intends for the Initial REIT to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the Initial REIT will not incur significant losses. The loss of any investor's entire principal is possible.

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

**Investments Originated by RM Adviser Affiliates.** An RM Originator may be entitled to receive a 1-3% origination fee for originating commercial loans that the Initial REIT may purchase. In addition, Mogul Securities may be entitled to receive up to a 5% finders' fee for sourcing an equity investment which the Initial REIT purchases, subject to a minimum fee of \$50,000 per transaction. The Initial REIT will not pay either of these fees, but RM Adviser may be incentivized to prioritize loans originated by an RM Adviser affiliate over loans originated by an unaffiliated third party and equity investments sourced by an RM Adviser affiliate over equity investments sourced by an unaffiliated third party because of the fees that

could be paid to RM Adviser's affiliates for those investments. Further, while RM Adviser will attempt to make investments that allow the Initial REIT to qualify as a REIT and maintain its exemption under the Investment Company Act, RM Adviser has some latitude on the types of investments that it may approve. Within these constraints, RM Adviser may have an incentive to prioritize equity investments over debt investments because its affiliates could earn up to a 5% finders' fee on an equity investment and a 3% origination fee on a debt investment. This incentive could lead to RM Adviser approving equity investments that it would not otherwise approve or to overweighting equity investments in the Initial REIT's portfolio.

**Risks Related to the Realty Mogul Platform.** The Initial REIT will conduct its offerings through the Realty Mogul Platform, which is owned by RM Technologies, LLC, an affiliate of Realty Mogul. Realty Mogul has sponsored other debt-related real estate investment opportunities under other formats prior to this offering, but this is the first REIT offering being offered through the Realty Mogul Platform. The success of the Initial REIT's offering, and the Initial REIT's ability to implement its business strategy, is dependent upon its ability to sell shares to investors through the Realty Mogul Platform. If it is not successful in selling its shares through the Realty Mogul Platform, its ability to raise proceeds will be limited and it may not have adequate capital to implement its investment strategy. If it is unsuccessful in implementing its investment strategy, investors could lose all or a part of their investments.

**Item 9: Disciplinary Information**

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

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

Management Persons as Registered Representatives of Broker-Dealers

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

Material Relationships with "Related Persons"

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

*Mogul Securities*

Mogul Securities, a commonly controlled affiliate of RM Adviser that is a registered broker-dealer and FINRA member firm, assists RM Adviser in sourcing investments for the Initial REIT. In addition, Mogul Securities and its registered representatives who are also RM Adviser employees (including Jilliene Helman and Justin Hughes as management persons of RM Adviser) are involved in the sales of the Initial REIT's shares to the investing public. As discussed above, these registered representatives of Mogul Securities (and Mogul Securities itself) may receive commissions based on their sales to investors in the Initial REIT

or for selling investments to the Initial REIT. None of these fees are paid by investors who use the Investment Calculator or investors in the Initial REIT.

Nonetheless, this relationship poses potential conflicts of interest, because, based on potential payments to Mogul Securities and its registered representatives RM Adviser may be incentivized (1) to recommend investments in the Initial REIT to investors who use the Investment Calculator, and (2) to recommend investments to the Initial REIT that have been sourced by Mogul Securities rather than other broker-dealers. In addition, because Mogul Securities may be entitled to receive up to a 5% finders fee for sourcing equity investments (compared to an up to 3% origination fee payable to RM Originators for originating commercial loans on behalf of the Initial REIT), RM Adviser may be incentivized to prioritize equity investments over debt investments. When registered representatives are also management persons of RM Adviser, and thus have the power to influence the advice it provides, these risks are particularly acute.

Nonetheless, there are benefits to investors on the Platform, the Initial REIT, and investors in the Initial REIT based on RM Adviser's relationship with Mogul Securities. Namely, because the types of products purchased through Mogul Securities (most typically, interests in real estate-related joint ventures) are rare and unlikely to be sold through other broker-dealers, and to take advantage of the expertise and connections to these unique investments, RM Adviser utilizes the connections and expertise of Mogul Securities and its registered representatives. Thus, rather than eliminate transactions through Mogul Securities, RM Adviser seeks to mitigate potential conflicts.

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

#### *NCPS*

As noted above, certain management persons of RM Adviser serve as registered representatives of NCPS. NCPS executes transactions on the Platform related to the sale of BPDNs, Single Purpose Funds and the Initial REIT, and both NCPS and its registered representatives receive commissions based on those transactions. Because the Investment Calculator may recommend BPDNs, Single Purpose Funds or the Initial REIT as potential investments by users of the Investment Calculator, this relationship poses a potential conflict of interest, in that RM Adviser may be incentivized to recommend investments that will

result in its employees receiving commissions. For the same reasons, RM Adviser may be incentivized to recommend investments purchased through NCPS to the Initial REIT. Because certain of NCPS' registered representatives are management persons of RM Adviser, and thus have the power to influence the advice it provides, this risk is particularly acute.

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

#### *RM Manager*

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

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

#### *Realty Mogul*

**Shared Services Agreement.** RM Adviser maintains a shared services agreement with its parent Realty Mogul, a licensed real estate broker and the sponsor of the Platform, through which employees of Realty Mogul also perform certain activities as supervised persons of RM Adviser. The ability of RM Adviser's employees to engage in other business activities may reduce the time they and RM Adviser spend managing the Investment Calculator and/or the Initial REIT. In particular, during turbulent conditions in the mortgage industry, distress in the credit markets, or other times when RM Adviser will need focused support and assistance, the other affiliates for which these employees provide services will likewise require greater focus and attention. In such situations, RM Adviser and its clients may not receive the necessary



support and assistance they require or would receive if it had employees that were solely its own. RM Adviser has addressed this issue by adopting a Code of Ethics, described below, that requires each supervised person to act in the best interests of RM Adviser's clients.

**Loan Origination and Sales.** Realty Mogul originates many of the loans available for purchase on the Platform through investments through BPDNs, which may be recommended by the Investment Calculator. Realty Mogul may also originate or purchase loans that are purchased by the Initial REIT. Realty Mogul may receive fees related to these loans, as described above under Item 5, Fees and Compensation.

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

To address these potential conflicts, in the case of investors who use the Investment Calculator, RM Adviser has adopted policies that require that the algorithms used in the Investment Calculator do not take into account any potential fees that will be paid to an affiliate of RM Adviser. This mitigates conflicts related to providing inappropriate recommendations to investors using the Investment Calculator. Although the policy does not necessarily mitigate the risk that RM Adviser will overvalue or "dump" loans, the Platform provides protections for potential investors through its disclosures of material terms of an investment, any performance history, and information about the underlying property, which investors use to make their own investment decisions. Further, BPDNs are sold only based on the principal value of a loan, which diminishes the possibility of selling the loan at an inflated value.

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

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

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

**Lending to the Initial REIT.** The Initial REIT may also in certain cases borrow funds from Realty Mogul or other affiliates to purchase loans and other assets, particularly in the beginning stages of the Initial REIT’s formation. Any such loans create potential for conflicts of interest. For example, RM Adviser may be incentivized to consent to the Initial REIT borrowing funds from Realty Mogul at an above-market interest rate, which would benefit Realty Mogul while disadvantaging the Initial REIT. To mitigate this potential conflict of interest, RM Adviser requires Independent Representative approval of any such loans, unless the lending arrangement meets the following criteria: (i) The total of all unsecured related-party loans, in the aggregate, does not exceed \$20 million; and (ii) no outstanding related-party loan carries an interest rate that exceeds the then-current applicable federal rate under the Internal Revenue Code with respect to such loans. These conditions are designed to limit the impact of any such loans on the Initial REIT and to ensure that the loans are in line with market practices.

#### *The RM Originators*

The RM Originators (including Realty Mogul) are responsible for originating and/or purchasing loans and equity investments that will be offered through the Platform and/or to the Initial REIT. This arrangement could result in the same types of conflicts described above for Realty Mogul: that is, other RM Originators could also overprice or “dump” loans into the Initial REIT, and/or RM Adviser could have an incentive to purchase these investments regardless of whether they are appropriate for the Initial REIT or Platform investors. These conflicts are addressed through the same types of policies described above with respect to Realty Mogul’s role originating and selling loans and related BPDNs recommended by RM Adviser, which also apply to loans purchased from the other RM Originators.

In cases where the RM Originators originate or purchase investment opportunities that could be allocated to either the Platform or the Initial REIT, RM Adviser and its affiliates may have an incentive to determine allocation based on the relative size of the fees to be paid to the RM Originators in each instance. To address this potential conflict, in these instances, any potential debt investment exceeding \$1,000,000 and equity investment exceeding \$1,500,000 will first be made available to the Initial REIT. If the Initial REIT chooses not to invest, then those investment opportunities will be made available to other investors through the Platform on a “best efforts” basis. In no event is the Initial REIT’s ability to purchase the

interests allocated by RM Adviser contingent upon whether the sale of the remaining portion through the Platform is successful.

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

#### *RM Sponsor*

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

#### Recommendation of Other Investment Advisers

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

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

RM Adviser may also recommend the use of a third-party subadviser to manage any excess cash that the Initial REIT may hold. RM Adviser expects the subadviser to (i) incur leverage on this cash balance and (ii) invest the cash and the debt incurred thereon in publicly-traded common or preferred shares in REITs or other short-term investments. It is anticipated that RM Adviser will pay the subadviser up to 0.5% of the amount invested (including the amount of any leverage utilized) by the subadviser out of the 1% asset management fee that the Initial REIT pays to RM Adviser. As a result, neither the Initial REIT nor its stockholders will bear any additional expense associated with this subadviser arrangement. RM Adviser will not have other business relationships with the subadviser and will not receive compensation from the subadviser arrangement; therefore, no conflicts of interest will be created by RM Adviser’s entering into a subadviser arrangement. No specific subadviser has yet been selected by RM Adviser.

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

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

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

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

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

RM Adviser will provide a copy of the Code to any client, prospective client, or investor or prospective investor in the Initial REIT upon written request to the Chief Compliance Officer, 10780 Santa Monica Blvd., Suite 140, Los Angeles, CA 90025.

#### *Personal Trading Policy*

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

### *Insider Trading Policy*

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

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

### Participation or Interest in Client Transactions

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

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

#### *Advances to the Initial REIT*

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

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

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

#### *Investments by Single Purpose Funds alongside the Initial REIT*

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

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

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

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

#### Selection of Broker-Dealers

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

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

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

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

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

RM Adviser does not receive research or other products and services other than execution from broker-dealers. RM Adviser also does not consider whether it or a related person received client referrals from a broker-dealer or third-party when selecting a broker-dealer and does not engage in directed brokerage practices.

#### Aggregation of Client Transactions

RM Adviser does not aggregate orders for any clients.

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

#### Users of the Investment Calculator

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

#### The Initial REIT

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

RM Adviser delivers audited financial statements to investors in the Initial REIT on an annual basis within 120 days of the Initial REIT's fiscal year end. In addition, consistent with the requirements of Regulation A, RM Adviser provides investors periodic written updates required by the SEC on the performance of the Initial REIT, including annual and semi-annual reports, current event reports for specified material events within four business days of their occurrence; supplements to the offering circular for the Initial REIT, in

the event there are material changes to it; quarterly pricing supplements, quarterly information statements; and any other reports filed or furnished to the SEC. All reports are available through the SEC's website, as well as on the Platform. As periodic updates become available, investors will receive email messages with instructions on how to retrieve them.

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

RM Adviser does not currently have in place any arrangements through which third parties provide compensation for RM's investment advice or advisory services to its clients. RM Adviser also does not compensate any person for client referrals.

**Item 15: Custody**

Users of the Investment Calculator

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

The Initial REIT

RM Adviser has custody of the assets of the Initial REIT and utilizes the services of a bank to hold all assets of the Initial REIT.

**Item 16: Investment Discretion**

Users of the Investment Calculator

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

The Initial REIT

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

**Item 17: Voting Client Securities**

Users of the Investment Calculator

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



### The Initial REIT

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

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

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

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