

MREC Management, LLC

a Registered Investment Adviser

23975 Park Sorrento, Suite 420
Calabasas, CA 91302

(310) 929-4600

www.mosaicrei.com

This brochure provides information about the qualifications and business practices of MREC Management, LLC (hereinafter “MREC” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone 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 the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training

Item 2. Material Changes

This is our disclosure brochure document (“Brochure”) prepared pursuant to SEC Form ADV. This Item will be used to provide our clients, including our Funds or Co-Investment Funds with a summary of new and/or updated information contained in future revised versions of the Brochure.

Consistent with SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material Brochure changes as necessary. In addition, we will ensure that all clients and investors in advised Funds will receive a “Brochure Supplement” regarding any of MREC’s investment professionals who will be associating with such client accounts or those of any Funds advised by MREC.

This summary of material changes identifies only the material changes to MREC’s Brochure since its last filing submission on March 25, 2019:

- As of December 31, 2019, MREC manages \$517,176,131 on a discretionary basis and \$135,223,113 on a non-discretionary basis for a total of \$652,399,244 regulatory assets under management.
- MREC has expanded its Investment Committee to include its Executive Managing Director and Head of Asset Management, Bruce Davidson, and its Executive Managing Director and Head of Originations, Alex Ovalle, bringing the total persons on the Investment Committee from two to four and further requiring unanimous approval by all members of the Investment Committee for all new investments, as well as unanimous approval for material changes or modifications to a completed investment.

Item 3. Table of Contents

Item 2. Material Changes	3
Item 3. Table of Contents	4
Item 4. Advisory Business.....	5
Item 5. Fees and Compensation	8
Item 6. Performance-Based Fees and Side-by-Side Management	11
Item 7. Types of Clients	13
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	14
Item 9. Disciplinary Information	23
Item 10. Other Financial Industry Activities and Affiliations.....	24
Item 11. Code of Ethics	25
Item 12. Brokerage Practices.....	26
Item 13. Review of Accounts	27
Item 14. Client Referrals and Other Compensation	28
Item 15. Custody	29
Item 16. Investment Discretion	30
Item 17. Voting Client Securities	31
Item 18. Financial Information.....	32

Item 4. Advisory Business

MREC Management, LLC (“MREC” or the “Firm”), formed in 2015, is an SEC-registered investment adviser and is indirectly owned by Firm principals Ethan Penner and Vicky Schiff through their respective ownership interests in JulJak, LLC, which is the sole member and manager of Mosaic Real Estate Investors, LLC, which is the sole member and manager of MREC. MREC’s principal place of business is located in Calabasas, California and operates a satellite office in New York, New York.

As of December 31, 2019, MREC manages \$517,176,131 on a discretionary basis and \$135,223,113 on a non-discretionary basis for a total of \$652,399,244 regulatory assets under management.

Prior to MREC rendering any advisory services, clients, including funds, are required to enter into one or more written agreements with MREC setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

MREC currently advises the following Private Funds: Mosaic Real Estate Credit, LLC, Mosaic Real Estate Credit Offshore, LP and Mosaic Real Estate Credit TE, LLC (each, a “Fund”, and collectively, the “Funds”); in addition, aside from the Private Funds, MREC advises various co-investment relationships (each such vehicle, a “Co-Investment Fund”) (each of the Co-Investment Funds and each of the Funds, a “Vehicle” and collectively, the “Vehicles”) that may invest alongside the Funds. The Funds are structured as either a Delaware limited liability company or a Cayman Islands exempted limited partnership and the Funds all follow the same general investment strategy of originating or acquiring short term loans collateralized or supported by commercial real estate, employing structured finance principles, and focusing on protecting investor principal value while achieving non-correlated, above market risk-adjusted returns. The Funds are structured to provide optimal alignment between MREC, its management team and the Funds’ investors. The capital contributions to the Funds may include a co-investment by the principals of MREC, employees of MREC, MREC itself, and/or other of MREC’s affiliates. The Vehicles, additional alternative investment funds sponsored by MREC or its affiliates and managed and advised by MREC, and co-investment vehicles may be investment vehicles through which MREC and its principals pursue the strategy of owning short-term real estate debt in various forms, excluding any legacy investments.

While this Brochure generally describes the business of MREC, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on MREC’s behalf and is subject to the Firm’s supervision or control.

Investment Management Services

MREC manages the Funds on a discretionary basis and Co-Investment Funds on either a discretionary or non-discretionary basis. The primary goal of the Funds is to create stable and predictable cash flow with a high level of principal protection. The short-term nature of the maturities of the Funds’ investments, with most maturities expected to be less than or equal to three years, will seek to protect MREC’s investors against inflation and the prospect of rising interest rates while the short-term nature of principal repayments will help to fund annual liquidity provisions. In addition to owning first mortgage interests (which shall include deeds of trust, depending on the jurisdiction), MREC, through the Funds, may invest in other forms of debt exposure, including but not limited to joint ventures or other structured finance

products such as mezzanine debt, preferred equity, or corporate ownership of companies that own these asset types, which may include securities such as liquid, exchange traded REIT securities that invest in real estate debt and whose strategies align with MREC's overall debt strategy. MREC, through the Funds may diversify its investment in any asset by syndicating the debt to third-parties or Co-Investment Funds, including the Funds undertaking a subordinated debt position in exchange for reduced exposure and higher yield.

MREC's Co-Investment Funds are designed to suit specific client needs by providing exposure to real estate assets that satisfy the Co-Investment Fund's requirements and preferences. Certain Co-Investment Funds elect to buy into a pool of MREC discretionary assets while others elect to invest in specific assets on a case-by-case basis at the Co-Investor's discretion.

MREC tailors its advisory services to meet the specific needs of its clients and seeks to ensure, on a continuous basis, that client accounts are managed in a manner consistent with each client's needs and objectives.

Co-Investment Strategy

As briefly mentioned above, the Firm may, from time to time, sponsor and manage investment vehicles to allow certain persons to invest alongside the Funds into specific portfolio investments of the Funds (each such vehicle, a "Co-Investment Fund"). The Firm currently manages five Co-Investment Funds. As a general matter, co-investments by Co-Investment Funds may be on terms and conditions more favorable than the terms and conditions of the investment by the applicable Fund and existing investors may be disadvantaged as a result thereof. Such favorable terms may include liquidity terms, expense and fee allocation terms, and opportunities to invest in future investments.

MREC and/or their affiliates may also offer co-investment opportunities directly to existing investors or new investors, which will be subject to co-investment agreements.

MREC and/or their affiliates may create a Single Purpose Vehicle entity ("SPV") whereby current, new investors and the Funds may fund an investment into the SPV on a pari-passu basis, and the SPV will in turn make a loan to a borrower or make a preferred equity investment into a property identified by Mosaic and MREC.

MREC may earn up to a 25% incentive distribution, or such other incentive fee that each Co-Investment Fund's documents provide, from the Co-Investment's portion of profits (if any). In addition, MREC may charge a management fee to certain Co-Investment Funds.

Please see Item 12. "Brokerage Practices" and "Other Compensation" in Item 14 for additional details on potential co-investment opportunities sponsored by Mosaic, MREC and/or their affiliates.

General Information

As investment adviser to each Fund, the Firm identifies investment opportunities and participates in and is responsible for the lending, management, monitoring and disposition of investments for each Fund. The Firm will manage each Fund based on the investment objectives and investment restrictions set forth in the governing documents and/or confidential offering memorandum of the Fund (the "Memorandum"), as applicable. The Firm generally provides investment advisory services to each Fund pursuant to an

investment management agreement with the Fund and/or the governing documents of the Fund. The investments of a Fund may be subject to certain diversification and/or geographic limitations as set forth in the investment management agreement with the Fund and/or the governing documents of the Fund. Further, the Firm may enter into side letters with certain investors of a Fund, which impose further restrictions on investing in certain types of securities, countries, geographies or businesses with respect to such investor or may provide such investor with terms more favorable than other investors in a Fund.

As investment adviser to each Co-Investment Fund, the firm generally identifies investment opportunities for the Co-Investment Fund, and for which the ultimate investment decision may reside (depending on whether MREC possesses discretion) with the common equity member or partner of the Co-Investment Fund as defined by each Co-Investment Fund's governing documents. The terms and conditions of each Co-Investment Fund vary, including that certain Co-Investment Funds may have terms unique to that specific fund or more favorable to other Co-Investment Funds or the Funds.

Item 5. Fees and Compensation

MREC primarily seeks Qualified Clients for the Funds and institutional clients who are Qualified Clients and/or Qualified Purchasers for its Co-Investment Funds; however, subject to the Firm's discretion, investors that are solely accredited may be eligible to subscribe to a Vehicle, in MREC's sole and absolute discretion. MREC currently charges an annual management fee of 2.5% of the net asset value of a Fund's investor's unit calculated at the end of each calendar quarter to those investors in the Funds who do not qualify as "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940 (as amended), and who are therefore prohibited from incurring certain performance based charges (i.e. an "incentive distribution" as defined in Item 6 herein). Other than as described in this Item 5 or Item 4 with regard to Co-Investment Funds, MREC does not generally provide any services for a management fee (i.e., a fee based upon assets under management or advisement).

Costs and Expenses

The Vehicles, absent provisions of the governing documents providing otherwise, will generally pay all costs and expenses incurred in connection with its organization and operation (or will reimburse MREC and its affiliates for having actually incurred any such expenses), including, without limitation: (i) all expenses incurred during the closing of a transaction, including, but not limited to, travel, attorneys, accountants, appraisers and other consultants; (ii) any expenses associated with the evaluation and making of potential investments (including travel and any due diligence costs or expenses of any third parties) and all fees for attorneys, accountants, consultants and other professionals or experts (including the fees and expenses for counsel to MREC) arising in connection with the Vehicle's business; (iii) all fees, costs and expenses related to the making, holding, development, management, monitoring, administering, servicing, foreclosing and enforcing or otherwise exercising remedies related to, and sale or other disposition of investments (including any legal, audit, appraisal, structural review, custodial, environmental review, insurance, consulting, brokerage, underwriting and indemnification costs and expenses); (iv) all costs relating in any way to any offerings of units, including, without limitation, costs relating to preparing offering documents, travel, complying with the laws of applicable jurisdictions and payment of filing fees; (v) all fees related to accounting, portfolio management and risk management systems and all quotation and valuation costs and expenses, including without limitation, the fees and out-of-pocket expenses of any Valuation Agent; (vi) all costs, fees and expenses relating to investor relations, communications, bookkeeping, accounting and the preparation and mailing of financial, tax and performance information to investors in the Vehicles and any U.S. federal, state and local taxes, filing and registration fees of the Vehicles; (vii) all insurance costs and fees and expenses associated with licensing and insuring the activities of the Vehicles; (viii) all litigation and indemnification expenses; (ix) all costs and expenses related to any financing, hedging, ratings, securitization or capitalization; (x) all expenses related to making temporary investments and any interest expenses; (xi) all expenses associated with software licensing fees necessary to conduct the Vehicles related activities; and (xiii) any extraordinary expenses. For accounting purposes, the organization expenses incurred by the Vehicles may be amortized over a period of 60 months or such other time period as the MREC determines to be fair and equitable in its sole discretion. MREC may enter into certain cost-sharing or cost-reimbursement relationships with its Vehicles, including but not limited to a certain Fund in order to equalize the returns of all the Funds or based on the negotiated terms of a Co-Investment Fund

Sourcing and Diligence Expenses. These expenses relate more generally to investment sourcing and diligence for a particular investment strategy and include fees, costs and expenses of identifying,

investigating (including conducting diligence with respect to), evaluating, structuring and negotiating potential investments for such strategy. The largest category of sourcing and diligence expenses are those expenses incurred with respect to the pursuit of particular investments that are never actually consummated (“Broken Deal”). Examples of such Broken Deal expenses include fees and expenses of any legal, financial, accounting, consulting or other advisors or lenders, real estate brokers, environmental consultants, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated; any travel and accommodation expenses and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions.

Other sourcing and diligence expenses include certain organizational expenses; legal, accounting and other professional fees and expenses; travel costs (which may include first or business class airfare, lodging (including first class lodging), ground transportation (including black car services), and meals; costs and expenses of attending trade association meetings, conferences or similar meetings to source and evaluate investment opportunities; fees and expenses of consultants; and costs and expenses of research and technology (including costs of specialty data subscription and license-based services and software). These expenses are allocated to the Funds and Co-Investment Funds that participate in the relevant investment strategy. The proportion of such expenses allocated to any relevant Fund or Co-Investment Fund may vary from period to period, but as a general matter, the significant majority of such expenses will typically be borne by the primary investment vehicle for such strategy, which is generally the Fund that has a minimum investment right in relation to the relevant strategy. Sourcing and diligence expenses may be paid to Firm affiliates. Notwithstanding anything herein to the contrary, due diligence expenses on consummated transactions are generally borne by the borrower so as to minimize the amount incurred by a Fund or Co-Investment Fund.

Oversight Expenses. These expenses are incurred in connection with the oversight of the Funds’ portfolio holdings. Examples of expenses that may fall within this category are travel expenses (including airfare, lodging and ground transportation, such as taxicab or a black car service) for an employee of the Firm to attend meetings, conduct periodic site visits, other compensation and expenses for asset management services provided to or on behalf of a portfolio holding, expenses relating to the disposition or management of the portfolio investment, consulting fees, expenses, other compensation of Firm affiliates for services provided to a borrower and fees and expenses of any other consultants, counsel, accountants or other experts for services provided to (or on behalf of) a Fund portfolio investment. Other examples include: (i) brokerage commissions, clearing and settlement charges, investment banking fees and expenses, bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, bridge financing expenses (which may be payable to a Co-Investment Fund co-investing in the bridged transaction or to Adviser or an affiliate, in each case that provides bridge financing to the relevant Fund) and other investment, execution, closing and administrative fees, costs and expenses of portfolio investments, (ii) costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments, (iii) portfolio and risk management expenses (including hedging transactions and related costs), (iv) expenses of any actual or potential litigation or other dispute or investigation or inquiry related to any portfolio investment or any actual or potential portfolio investment (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation and the appointment of any agents for service of process on behalf of the Firm or its affiliates) and other extraordinary expenses related to any portfolio investments (including fees, costs and expenses classified as extraordinary expenses under generally accepted accounting principles in the United States) and (v) expenses related to industry conferences directly related to a particular portfolio investment. Oversight expenses may be paid to Firm affiliates. Oversight expenses may also include amounts for service costs

paid to Firm (or any affiliate) by a borrower or any entity through which a Fund or Co-Investment Fund invests in a portfolio investment for local administration or management services related to such portfolio investment.

Certain expenses incurred with regard to *Sourcing and Due Diligence* and *Oversight* may be contractually reimbursable from or directly payable by a portfolio investment.

Although the Firm does not generally utilize the services of broker-dealers for Fund transactions, in the event it chooses to use a broker-dealer, the Funds and/or Co-Investment Funds may bear brokerage and transaction costs to the extent incurred. For additional information regarding brokerage and transaction costs, see Item 12 below.

Compensation

Management fees, Incentive Distributions (as described in Item 6) and other compensation payable to the Firm by the Funds or Co-Investment Funds together with other terms governing the management of the Funds or Co-Investment Funds by MREC, are established by MREC at the time of the establishment of the relevant Funds or Co-Investment Funds (and negotiated with participating investors prior to their investment), as applicable. Specific details of such compensation and its method of calculation are set out in the offering materials, disclosure documents, management agreements and/or governing documents of the relevant Funds or Co-Investment Funds, and vary as between the Funds and Co-Investment Funds. Fee terms of the Funds or Co-Investment Funds may be changed during the term of the relevant relationship. The share of compensation earned by MREC or its affiliates in respect of a Fund or Co-Investment Fund varies among investors pursuant to the terms of the governing documents, side letter agreements or other arrangements with specific investors in such Fund or Co-Investment Fund, whereby such investors receive direct or indirect reductions of management fees or other compensation otherwise payable with respect to their investments managed by the Firm. Such arrangements may include MREC granting certain preferential terms to certain investors in a Fund or Co-Investment Fund. Where a strategic investor participates in a Fund or Co-Investment Fund through a dedicated investment vehicle as part of such arrangement, such vehicle may be granted terms, including incentive distributions, which are more favorable than those applicable to other investors.

In addition to Management fees or Incentive Distributions, the Firm, in certain instances, earns a non-refundable underwriting fee from a prospective counterparty during the course of evaluating an investment opportunity with the counterparty. If consummated, the investment opportunity would likely be allocated to the Funds and/or Co-Investment Funds. Typically, the non-refundable underwriting fee paid to the Firm by the prospective counterparty is equal to \$25,000 U.S. Dollars.

Furthermore, the Firm may earn certain due diligence fees with regard to an investment opportunity for which the Funds and/or Co-Investment Funds provides a loan or other investment, and where the Firm's due diligence is also utilized by a third-party who provides a loan or other investment to that same investment opportunity. The third party loan or investment is generally not-suitable with the Fund's or Co-Investment Funds' strategy based on various criteria, including but not limited to yield, term, or structure. A due diligence fee paid to the Manager by a third party in these instances could equal up to 50 basis points of the third party loan or investment gross amount, or other fee as determined by the parties

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

MREC expects to make quarterly distributions (“Member Distributions”) to the Funds’ investors in respect of each unit equal to the Member Distributable Income (as described below) allocated to such unit with respect to such quarterly period. “Membership Distributable Income” shall mean, with respect to any quarterly period, (a) Distributable Income allocated to such unit with respect to such quarterly period less (b) any Incentive Distributions paid with respect to such unit.

MREC shall receive a quarterly incentive distribution (the “Incentive Distribution”) in respect of each unit equal to 25% of (a) Distributable Income allocated to such unit with respect to such quarterly period, as adjusted up or down (as the case may be) for (b) any Impairment Amount (as described below) with respect to such unit as of the end of such quarterly period (the “Income Subject to Incentive Distribution”), provided that Distributable Income allocated to such unit with respect to such quarterly period constitutes an increase over the Incentive Distribution Base (as defined below) of such unit during such calendar year by at least 1% per quarter (4% per annum) (the “Incentive Distribution Threshold”). The Incentive Distribution Threshold is calculated and crystallized on a quarterly basis with no clawback rights once investors earn at least a 1% quarterly distribution on their committed capital.

“Incentive Distribution Base” will, with respect to a unit, equal the beginning monthly net asset value of such unit.

“Distributable Income” shall mean, with respect to any quarterly period, the sum of (a) all interest payments and any other cash income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that are received by the Funds from investments) received by the Funds during such quarterly period not constituting a return of capital, in each case determined after the deduction of applicable fees, payment of expenses and liabilities (including, without limitation, funds expended for payments of principal and interest on indebtedness) and all amounts required in MREC’s discretion to pay or reserve for current or potential costs, expenses, indebtedness, liabilities and other obligations and (b) any reduction in reserves of the Funds during such quarterly period.

The “Impairment Amount” for any given quarter shall be (a) the amount, if any, of adjustments made by MREC during such quarter in the values of investments to reflect severe and sustained changes in the value of such investments (“Impairment Adjustments”), which Impairment Adjustments may be further adjusted up or down from time to time by MREC in its reasonable discretion (provided that the Impairment Adjustments for a given investment shall in no event be adjusted up in excess of the cost of such investment) plus (b) any “Impairment Carry Forward Amount” from prior quarters (as described below). The “Impairment Carry Forward Amount” shall be the amount, if any, of Impairment Adjustments from prior quarters that were not adjusted for in the calculation of Income Subject to Incentive Distribution (as described above) in such prior quarters based on a lack of Distributable Income.

In some circumstances, it is possible the Firm will make use of side letters with certain investors in the Fund whose investment in the Fund is a meaningful and significant amount as a percentage of the total assets of the Fund. In such instances, it is possible that these investors will obtain a more favorable fee structure and/or more favorable terms than other investors in the Fund.

Member Distributions and any Incentive Distribution earned by MREC with regard to the Co-Investment

Funds may be similar to or differ from the Member Distributions or Incentive Distribution calculated for the Funds.

In addition to the fees described above, MREC may, through a separately created entity or entities structured as a limited liability company or other entity (“Incentive Splitter”), pay to the Incentive Splitter an incentive distribution as consideration, in connection with the offer and sale of certain interests in the Fund to certain investors that are introduced to MREC by a third-party distribution agent and who then subscribe to the Funds. For example, CAIS Capital LLC (“CAIS”), with whom MREC has a distribution agreement is entitled to receive a portion of the incentive distribution paid to an Incentive Splitter on behalf of those investors that CAIS assists with subscribing to the Funds in an amount up to 0.25%, or 25 bps (1% annualized), or a reduced amount as may be negotiated among MREC and CAIS, of the cumulative net capital contributed by investors in the Fund investing through CAIS (“CAIS Investors”), only in the event an incentive distribution is earned in that quarter and only to the extent of the total incentive distribution earned from CAIS Investors in that quarter, in each case subject to certain special rules. Additional detail of the compensation paid to CAIS may be found in Item 14.

Item 7. Types of Clients

MREC currently provides advisory services to the Vehicles.

Investors in the Vehicles may consist of:

- Individuals (other than high net worth individuals)
- High net worth individuals
- State or municipal government entities
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- Hedge funds
- Index Funds
- Family offices
- Retirement accounts
- Offshore investment vehicles
- Wealth managers and/or their clients

MREC requires investors in the Vehicles to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment.

In general, a minimum investment MREC requires in the Funds by an investor is US \$100,000; however, lesser amounts may be accepted in MREC's sole discretion.

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

Methods of Analysis

MREC provides investment advisory services that are customized to each client's investment objectives, time horizon and risk tolerances as set forth in the respective offering documents. In offering advisory services, MREC utilizes the following methods:

Sourcing

MREC will source investments both by using the vast network of direct contacts that its principals and senior management have established over many decades as industry leaders as well as the broad network of brokerages companies with whom senior management of MREC have many long-standing ties. In addition, senior management receives incoming inquiries from both borrowers and brokers who they may not know but who are familiar with the reputation and activity of MREC.

Investment Process

A formalized Investment Committee will govern the investment approval process. MREC, in accordance with internally published underwriting guidelines, will underwrite each investment. Such guidelines will detail a number of components of commercial real estate analysis (value, location, the basis of the loan, current and potential cash flow, market demand for the asset/feasibility, environmental, structural, capital improvement/construction budgets and borrower experience). Specific source documentation, market information and industry standard due diligence related studies and materials will be collected and independent verification will be required. Third parties will be retained for valuation, environmental, budgeting, feasibility, zoning, title and engineering analysis. Underwriting will focus on the value of the underlying real estate asset as compared to MREC's basis in the project, as well as the depth of the market for such asset, with an understanding that MREC's remedies include taking control of the asset and disposing of it. Other areas of focus will include fundamental cost and terminal value analysis and the issue of adherence to portfolio diversification constraints. Borrower legal searches, capabilities and track records will also be analyzed. Completed analysis will be presented to the Investment Committee, which will be comprised of the members of MREC's senior management who will make the final investment decisions and will monitor the overall investment strategy and portfolio of the Funds in conjunction with the asset management and finance team. Investment Committee approval will be required to cause the Funds to originate, acquire or dispose of any investment. For such approvals, unanimous consent is required by the members of the Investment Committee. If a prospective investment materially deviates from the initial terms and commitments outlined in the detailed recommendation, a subsequent Investment Committee meeting will be held to consider and (if deemed appropriate) ratify such changes based upon a unanimous vote.

Notwithstanding the foregoing, all member of the Investment Committee, which currently comprises Ethan Penner, Managing Partner of MREC; Vicky Schiff, Managing Partner of MREC; Bruce Davidson, Executive Managing Director and Head of Asset Management of MREC; and Alex Ovalle, Executive Managing Director and Head of Originations at MREC shall unanimously approve each investment decision and any and all material changes or modifications to any approved investment decision.

Asset Management Process

MREC will employ in house and 3rd party asset management professionals, whose responsibilities will include close supervision of the borrowers and their operational and/or development teams for each loan originated or owned by the Funds, as well as regular monitoring of the loan's business plan progress and general market conditions of the area within which the property is located. In addition, the Firm will

engage third party firm(s), experienced in the real estate industry and in particular construction loans, to review loan draw requests in the event a loan involves redevelopment and/or development. The asset manager will be expected to visit each property for a site inspection no less frequently than twice per year and generally more frequently. There will be regular asset management meetings, no less than quarterly, with the MREC's principals and Investment Committee to review the updated performance of each loan with any significant events discussed more frequently. The members of MREC's senior management, who also serve on the Investment Committee, comprise seasoned real estate and investment professionals with broad based investment experience with specific expertise in real estate debt.

Investment Strategies

Simply stated, the investment strategy for the Funds is to generate superior risk-adjusted returns through the origination and purchase of real estate debt and debt-related instruments. MREC strives to consistently adhere to our mission of acquiring or originating debt instruments with stable and predictable returns and strong principal protection. MREC aims to establish an industry leading, sustained, real estate investment franchise that employs structured finance principles and is known throughout the nation as a dependable financier for borrowers in need for short-term debt and debt-related products.

- MREC will make investments seeking to generate a net (after fees, expenses, Incentive Distributions and reserves), annualized current target return in the range of 9% - 12%. *See the Funds' "Private Placement Memorandum" for important information regarding target return information.*
- Several features of the investment strategy will seek to mitigate risks that might otherwise be associated with the investment profile of the Funds, including:
 - Focusing on the geographic locations with the most vibrant economies and/or demand for the asset being considered.
 - The investment process will be governed by MREC's stringent risk management discipline, including a formalized Investment Committee process and focus on principal protection and risk-adjusted returns.
 - Underwriting will focus on underlying real estate fundamental value analysis, with an emphasis on MREC's basis in a debt investment (generally 70% or lower of value) and protecting the downside risk while evaluating what the disposition value of the underlying property is.
 - MREC's focus on portfolio diversification will serve to smooth out the returns for the Funds investors, with a goal of protecting investors from any single underperforming asset or any specific geographic location.
 - MREC will utilize asset managers that will be charged with overseeing the performance of each asset financed by the Funds.
 - Careful attention will be paid in structuring our investments so as to provide the Funds with important legal and financial protections as well as ease of access to a property if a loan defaults.
 - The Funds intends to originate or acquire short term loans collateralized by real estate, including but not limited to first mortgage interests, structured finance products such as mezzanine debt, and preferred equity, each with Loan-to-Value ("LTV") exposure not to exceed 70%.

Risk Factors

Investment with MREC or an investment in the Funds entails a high degree of risk and is suitable only

for sophisticated investors for which an investment in the Funds is not their complete investment program and that fully understand and are capable of bearing the risks associated with an investment in the Funds. There can be no assurance that the Funds' objectives will be achieved, and investors must be prepared to lose all or a portion of their investment in the Funds.

Although MREC believes that the Funds should be well positioned to take advantage of attractive investment opportunities, there can be no assurance that it will be able to do so. The entry of additional lenders and investors into the segments of the real estate market in which MREC will focus, or a decline in the number or size of transactions anticipated in the formation of MREC's strategy could have potentially adverse consequences for the Funds and its investors. Competition for unspecified assets may also result in MREC making investments on less favorable terms than expected. There can be no assurance that targeted investments will be available when MREC seeks investment opportunities or that then available investments will meet the MREC's investment criteria.

MREC and certain affiliates thereof contemplate organizing and sponsoring additional alternative investment funds. Although MREC intends that the targets and investment activities, taken as a whole, for such additional funds will not conflict with the targets and investment activities, taken as a whole, of the Funds, it is nevertheless possible that conflicts may arise. In addition, certain senior personnel of MREC and/or its affiliates who serve as members of the Investment Committee may serve in similar roles for additional investment funds organized and managed by MREC or its affiliates. These senior personnel may experience diversions of their attention. However, MREC has implemented formal policies to mitigate any potential conflicts of interests in connection with organizing and sponsoring additional alternative investment funds.

Investment analyses and decisions by MREC may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to MREC at the time of making an investment decision may be limited, and MREC may not have access to detailed information regarding the investment, such as conditions affecting collateral. Therefore, no assurance can be given that MREC will have knowledge of all circumstances that may adversely affect an investment. In addition, MREC expects to rely upon independent consultants in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the Funds' right of recourse against them in the event errors or omissions do occur.

MREC may invest in a variety of real estate-related debt investments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real property investments, MREC will be subject to a variety of risks in connection with such debt investments, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the MREC's exercise of contractual remedies for defaults of such investments.

The Funds are open-ended and therefore have an indefinite term. Although MREC expects most investments to generate current cash flow and to pay off in accordance with their terms, it is possible that any cash flow will occur only after the partial or complete financing, refinancing or sale of an investment, delaying the return to the Members. It is possible that the Funds may not encounter favorable financing, refinancing or sale terms for an investment, thereby reducing or eliminating the return or resulting in a loss of principle.

MREC's current strategy is to originate or acquire debt across a variety of real estate product-types in a variety of geographic locations. Accordingly, MREC will be required to maintain expertise, relationships and market knowledge across a broad range of product-types and geographic regions, and will be subject to the market conditions affecting each such product-type in various markets, including such factors as the local legal and regulatory environment, economic climate, business layoffs, industry slowdowns, changing demographics, and supply and demand issues affecting each such market. This multi-sector approach could require more management time, staff support and expense than would be experienced with a company whose focus is dedicated to a greater extent on a single product-type in fewer jurisdictions than is contemplated by MREC.

The investment strategy for MREC may include both originating investments and acquiring investments in the secondary market. MREC's success hinges on its ability to successfully pursue both of these strategies, although market and other forces may from time to time cause the MREC to pursue one versus the other more vigorously. While most of the risks apply to investments made pursuant to both portions of the investment strategy, in certain cases the risks relating to the origination portion of the strategy and the risks relating to the acquisition portion of the strategy may differ. Prospective investors should consider carefully the risks described herein and how they impact each of the two portions of the investment strategy, as well as the two portions taken together.

As part of MREC's strategy for the Funds, MREC may enter into various debt transactions whereby the Funds become the borrower from a third-party (bank, broker, or other party) on a single asset, a pool of assets, or other asset based borrower, including, for example a repurchase facility or a revolving credit facility. In a repurchase agreement, the Funds sells certain of its securities or assets to a buyer and concurrently agrees to repurchase the securities or assets at a future time and set price, representing the loan amount plus an interest factor. During the repurchase period, the Funds would reinvest the proceeds from the sale and continue to receive principal and interest payments on the subject securities and assets. Repurchase agreements can have effects similar to margin trading and other leveraging strategies. Repurchase agreements involve the risk that the market value of the securities or assets retained by the Company may decline below the price of the subject securities or assets the Funds sold but is obligated to repurchase under the repurchase agreement. In the event the buyer of subject securities or assets under a repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted. MREC may cause the Funds to enter into a revolving credit facility whereby the Funds would be required to abide by various financial covenants to the lender. A breach of certain covenants could result in the lender taking action against the Funds' assets if the Funds are unable to become compliant or pay down the outstanding loan on the revolving credit facility. The Funds limit certain types of leverage undertaken by the fund to 25% of each Fund's Net Asset Value, excluding embedded leverage, determined in MREC's discretion and whereby embedded leverage includes but is not limited to repurchase agreements, subordinated debt agreements, and other transactions involving asset based borrowing.

MREC generally expects to originate, participate in and/or acquire real estate loans that will often be non-recourse to the borrower with the exception of certain "carve outs", as governed by the terms of the respective loan Mortgage investments have special inherent risks relative to collateral value. To the extent MREC makes or acquires subordinated or "mezzanine" debt investments, the MREC does not anticipate having absolute control over the underlying collateral as such MREC will be dependent upon third-party borrowers and agents and will have rights that are subordinate to those of senior lenders. In certain circumstances, the Funds' loans may not be secured by a mortgage, but instead by limited liability

company or partnership interests or other collateral that may provide contractual rights inferior to or more complex than a lender's rights under a mortgage. In any case, in the event of default, the Funds' source of repayment will be limited to the value of the collateral and may be subordinate to other lienholders. The collateral value of the property may be less than the outstanding amount of MREC's investment; in cases in which the Funds' collateral consists of partnership or similar interests, the Funds' rights and level of security may be less than if it held a mortgage loan. Returns on an investment of this type depend on the borrower's ability to make required payments, and, in the event of default, the ability of the Lender to either take over the entity and manage through liquidation and/or utilize a foreclosure process and liquidate the asset.

While it is anticipated that debt instruments will generally be held to maturity, the value of fixed-income securities that may be held by the Funds changes as the general levels of interest rates fluctuate. When interest rates decline, the value of fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline. Investments in lower rated or unrated fixed income securities, while generally providing greater opportunity for gain and income than investments in higher rated securities, usually are less liquid, more volatile and entail greater risk (including the possibility of default or bankruptcy of the issuers of such securities).

Real estate loans originated or acquired by MREC may be at the time of their origination or acquisition, or may become after origination, participation or acquisition, nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a reduction in the interest rate and a write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. It is possible that MREC may find it necessary or desirable to foreclose on collateral securing one or more real estate loans originated or purchased by the Funds. The foreclosure process can be lengthy and expensive.

The mezzanine loans in which MREC may invest may include loans secured by one or more direct or indirect ownership interests in a company, partnership or other entity owning, operating or controlling, directly or through subsidiaries or affiliates, one or more commercial properties. Although not directly secured by the underlying real estate, mezzanine loans share certain of the characteristics of subordinate loan interests described herein. It is expected that the commercial properties owned by such entities are or will be subject to existing mortgage loans and other indebtedness. As with subordinate commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks, including certain of the considerations and risks described herein. Mezzanine loans may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the mezzanine loan. The entity ownership interests securing the mezzanine loans may represent only partial interests in the related real estate company and may not control either the related real estate company or the underlying commercial property. As a result, the effective realization on the collateral securing a mezzanine loan in the event of default may be limited.

Mezzanine loans may also involve certain additional considerations and risks. For example, the terms of mezzanine loans may restrict transfer of the interests securing such loans (including an involuntary transfer upon foreclosure) or may require the consent of the senior lender or other members or partners of or equity holders in the related real estate company, or may otherwise prohibit a change of control of the related real estate company. These and other limitations on realization on the collateral securing a mezzanine loan or the practical limitations on the availability and effectiveness of such a remedy may

affect the likelihood of repayment in the event of a default.

Commercial mortgage loans have certain distinct risk characteristics. Mortgage loans on commercial properties generally lack standardized terms, which may complicate their structure and increase due diligence costs.

Commercial mortgage loans also tend to have shorter maturities than residential mortgage loans and are generally not fully amortizing, which means that they may have a significant principal balance or “balloon” payment due on maturity. Mortgage loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the borrower’s equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property.

The Funds and certain Co-Investments may purchase certain liquid real estate securities listed on major stock exchanges such as real estate investment trusts (each, a “REIT”) that purchase or originate mortgages or mortgage-back securities (“Mortgage REITs”) that align with the MREC’s overall strategy. If the Vehicles elect to invest in Mortgage REIT securities, MREC will continuously monitor macro-market factors, the underlying composition of the Mortgage REIT portfolios, and Vehicle’s cash needs to determine purchasing new securities, holding existing securities, or disposing of current holdings. Should any Vehicle seek to acquire listed securities, MREC would enter into a relationship with a reputable and experienced custodian and/or prime broker.

Commercial mortgage loans originated by MREC, through the Funds, generally are non-recourse to our borrowers, except for certain carve-outs providing recourse to the borrower or certain guarantors (construction loans are generally recourse when originated by commercial banks). In addition to a mortgage interest in its loans, MREC may also require a pledge of equity of the borrower entity, providing the option to foreclosure on the borrower legal entity through the Uniform Commercial Code. In the event of a real property foreclosure on a commercial mortgage loan, the proceeds received by the lender from the foreclosure may be less than the total amount due under the loan (including, without limitation, the outstanding principal balance, accrued but unpaid interest, default interest, collection costs, and other amounts due under loan). However, if the proceeds received by lender exceed the total amount due under the loan, Lender will be required to remit such excess proceeds to the person or persons legally entitled thereto, which may include junior lien holders or the borrower. As an alternative to a sale to a third party in a foreclosure action, the Funds may elect to credit bid their outstanding loan principal to effectively take over the ownership of the underlying property. Owning equity in real property presents similar and different risks than being solely a lender, which also could result in the Fund losing its entire principal value in an investment. In addition, owning real property equity presents the opportunity to achieve a higher yield than originally intended under the loan depending on the final disposition price of the property.

A portion of MREC’s investments may consist of interests in loans originated by banks and other financial institutions. The loans invested in by the Funds may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks.

MREC may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of the debt obligation typically, but not always, result in a contractual relationship only with the institution participating out the interest, not with the borrower. If the Funds purchases participations, then the Funds generally will have no right either to enforce compliance by the borrower with the terms of the underlying loan or to set-off obligations that the Funds may otherwise owe to the borrower. Furthermore, the Funds may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Funds would assume the credit risk of both the borrower and the institution selling the participation.

Some of MREC's investments may take the form of construction loans. Construction financing is traditionally a riskier form of financing than financing secured by completed commercial properties due to the need of the borrower/developer to execute on a specific business plan which includes adherence to time and cost schedules. Were construction not to proceed as planned, claims against the borrower may arise. Such claims could arise, because, among other things, the construction may take more time and be more expensive than anticipated, materials and labor necessary to do the construction may not be available on a timely basis or necessary financing may not be obtainable to complete construction. If such a claim were successful, delays in payments to the Funds may result. In addition, properties that have not been completed are less likely to be fully leased to tenants.

It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring debt and/or preferred equity transactions is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate and exit investments that satisfy a Fund's rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital. However, certain investors may be required to pay annual management fees during the investment period based on the full amount of their commitments.

An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, may occur only upon the partial or complete disposition of an investment, depending on how a particular deal is structured. It is unlikely that there will be a public market for the loans held by a Fund at the time of their acquisition. A Fund will generally not be able to sell the loans publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases a Fund may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. Before any investment is sold, there may be no current return on the investment. Furthermore, the expenses of operating a Fund may exceed its income, thereby requiring that the difference be paid from a Fund's capital. Where the Fund or a Co-Investment holds Mortgage REIT securities or other like listed, liquid securities, such investments may be liquid in form but the overall market for the specific security may not provide sufficient liquidity to a Vehicle's entire position at any point in time or at a favorable price. Changes to trading volume and other macro-economic factors can influence the price and liquidity of publicly traded securities.

Investors may have conflicting investment, tax, and other interests with respect to their investments in a

Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Firm regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Firm will consider the investment and tax objectives of a Fund and its investors as a whole, not the investment, tax, or other objectives of any investor individually.

Laws, regulations, and administrative guidance are subject to change, and there is no certainty that the legal and/or tax laws in place currently will remain in place into the future. Changes in laws could present unknown and uncertain risk to the Funds, Co-Investment Funds, and individual investors. The legal and tax structures established by MREC for its Vehicles could be challenged by authorities causing unknown and uncertain risk to the tax positions taken in prior years.

Increased reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyberattacks or accidental events can lead to breaches in computer and data systems security, and subsequent unauthorized access to sensitive transactional and personal information held or maintained by the Firm, its affiliates, and third party service providers or counterparties. Any breaches that occur could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors and the beneficial owners of investors, and may lead to theft, data corruption, or overall disruption in operational systems. Criminals may use data taken in breaches in identity theft, obtaining loans or payments under false identities and other crimes that have the potential to affect the value of assets in which the Funds or Co-Investment Funds invest. The information and technology systems of the Firm, the Funds and Co-Investment Funds and their portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. These risks have the potential to disrupt the Firm's ability to engage in transactions, cause direct financial loss and reputational damage or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cybersecurity risks also necessitate ongoing prevention and compliance costs.

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations, or policies that prohibit, restrict, or require that individuals or entities seeking to do business with state entities, including those seeking investments by public retirement funds, disclose payments to and/or contracts with state officials. The SEC has adopted rules prohibiting investment advisers from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees, or agents makes a contribution to certain elected officials or candidates. If the Firm, any of its employees or affiliates, or any service providers acting on its behalf fail to comply with such laws, regulations, or policies, it could adversely affect the Funds or Co-Investment Funds.

The Firm's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Although the Firm has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Firm and investments therein.

An epidemic outbreak or pandemic, and reactions thereto could cause uncertainty in markets and businesses, including the Firm's business, and may adversely affect the performance of the global

economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. The Firm has policies and procedures to address known situations, but because a large epidemic or pandemic may create significant market and business uncertainties and disruptions, not all events that could affect the Firm's business and/or the markets can be determined and addressed in advance.

An investment in a Co-Investment Fund typically bears many, if not all of the risks described above, but generally a Co-Investment Fund provides a less diversified asset pool, which may be as few as a single asset; accordingly, underperformance any single asset may comparatively impact the Co-Investment Fund more negatively than a similar investment in the same asset as the Funds.

Item 9. Disciplinary Information

MREC is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

In March 2007, the New York Attorney General commenced an industry-wide investigation into, among other things, alleged conflicts of interest and corruption involving investment firms' use of placement agents to obtain investments from public pension plans. The Wetherly Capital Group, LLC and DAV/Wetherly Financial, L.P. (collectively, "Wetherly") investigation focused primarily on certain sub-agents used by Wetherly with respect to the New York CRF. In February 2010, Wetherly and the New York Attorney General's Office entered into an assurance or discontinuance pursuant to which Ms. Vicky Schiff (who was not personally the subject of the investigation) agreed to refrain from being engaged by an investment firm to advise any public pension fund, other than when acting as a principal, shareholder or employee of the engaging firm. This action was concluded in February 2010, and there has been no subsequent action involving Ms. Schiff. While Ms. Schiff was not personally the subject of the New York Attorney General's investigation, and although she was not formally enjoined or barred, Ms. Schiff agreed to comply with the New York Attorney General's Public Pension Fund Code of Conduct and is precluded from being engaged by an investment firm to provide advice, consulting and/or marketing services in connection with potential investments by public pension funds other than as a principal, shareholder, or bona fide employee of the investment firm, where the engagement involves direct or indirect communications with certain government and/or public pension fund officials.

In May 2011, the New Mexico State Investment Council filed a claim in the court of New Mexico State District County, Santa Fe (the State of New Mexico case is D-101-CV-2011-01534, Court of Appeals Case Number 33,787) as well as a related case in the United States District Court (District of New Mexico) (No. 11-CV-00390, the federal case was dismissed without prejudice) alleging that the former CIO of the New Mexico State Investment Council and a financial advisory firm acting as a third party placement agent hired for Wetherly improperly steered New Mexico investments to political supporters of former New Mexico Governor Bill Richardson in an alleged "pay-to-play" scheme in New Mexico. Wetherly, as a firm with which such persons did business, and Ms. Schiff, as a principal of Wetherly, were alleged to have aided, abetted and profited from the alleged scheme. Ms. Schiff and her former partner at Wetherly agreed to a settlement in December 2013, subject to the court's approval, which settlement required Ms. Schiff and her former partner to pay \$100,000 in the aggregate, of which Ms. Schiff paid \$40,000 (or 40%). The court held a fairness hearing in November 2013, and the trial judge approved the settlement on February 12, 2014. The trial judge subsequently dismissed the case on March 30, 2014. On April 19, 2014, qui tam plaintiffs who objected to the settlement appealed to the New Mexico Court of Appeals, which appeal is currently still pending. The briefing for the Court of Appeals was completed during the summer 2015. Oral arguments were presented in December 2015. On March 24, 2016, the Court of Appeals affirmed the district court's approval of the settlements. The Qui Tam plaintiffs asked the New Mexico Supreme Court to review the Court of Appeals decision. The New Mexico Supreme declined to review the Court of Appeals in the summer of 2016. The appeals process is complete and the case is deemed to be over.

Item 10. Other Financial Industry Activities and Affiliations

MREC and/or management personnel of MREC advise the Vehicles. MREC also acts as the managing member/general partner of the Vehicles.

Mosaic Real Estate Investors is an investment platform and generic tradename of MREC that seeks to create investment products that are designed to pursue investment strategies focused on capital protection and stability.

Ms. Vicky Schiff, Co-Founder & Managing Partner of MREC serves as a related person of MREC. In addition, Ms. Schiff, in her individual capacity, has served as an independent director on the board of directors of DREAM Industrial REIT (TSX: DIR), a Toronto-based real estate investment trust with investment activities currently primarily in Canadian submarkets. For the services Ms. Schiff renders as a director, she receives compensation in the form of cash payments and subordinate voting shares, as disclosed in DIR's public regulatory filings. MREC could potentially, in the future, consider a co-investment or other relationship with DIR or its affiliates.

In 2017, Ms. Schiff was appointed to the board of private company, Morgan Properties, a large privately held multi-family firm based near Philadelphia.

Item 11. Code of Ethics

MREC has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. MREC’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons.

The Code of Ethics also requires certain of MREC’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings, and issuers on a firm ‘restricted list’). This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities.

The Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm’s access persons. Among other things, the Code of Ethics also requires the prior approval by the Chief Compliance Officer of any transactions by access persons in securities in a limited offering (*e.g.*, private placement), an initial public offering or on MREC’s restricted list (as applicable). The Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

The Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all access persons are reminded that such information may not be used in a personal or professional capacity other than in connection with their provision of services to MREC, and can never be used for trading in securities.

A copy of the Code of Ethics is available to MREC client and prospective clients. You may request a copy by email sent to compliance@mosaicrei.com, or by calling us at 310-929-4600.

MREC serves as the managing member or general partner of the Vehicles. MREC has responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting pertaining to the Vehicles. MREC and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Vehicles and/or may involve substantial time and resources of our Firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Vehicles, but could be allocated between such businesses and other of our business activities and those of our affiliates.

Item 12. Brokerage Practices

Recommendation of Broker/Dealers for Client Transactions

MREC does not have or plan to have any soft-dollar arrangements, and does not receive nor plan to receive any soft-dollar benefits for its investment transactions. Furthermore, with respect to the Funds, MREC does not engage in cross trades, block trades, or permit directed brokerage. MREC's business model is to typically invest in debt, debt-like structured finance instruments collateralized by real estate and other credit-focused arrangements and consequently, will generally not require the use of a broker or the payment of commissions to a broker. Should MREC utilize traditional securities brokerage firms, MREC would work with U.S. based reputable brokers in the industry for trade execution and to hold custody of securities.

Item 13. Review of Accounts

Account Reviews

MREC reviews the positions of its accounts (the Funds) on an ongoing basis.

The Vehicles' third-party administrator also generates quarterly reports, as described in more detail below, for each investor in the Vehicles, which MREC reviews and approves prior to distribution.

Account Statements and Reports

Clients invested in Vehicles are provided with quarterly summary account statements, which shall include capital statements and unaudited financial statements prepared in accordance with U.S. GAAP, or such other standard as may be required by law, directly from the third-party administrator of the Vehicle. On an annual basis, each Vehicle is audited by a national CPA firm, and the tax returns and tax information reporting is also prepared by a national CPA firm. Vehicles domiciled outside the United States of America may have additional requirements imposed by that country's laws, rules, and regulations, including but not limited to the use of an accounting firm also qualified in that jurisdiction

Item 14. Client Referrals and Other Compensation

Client Referrals

The Firm currently provides compensation to certain third-party solicitors/placement agents for successful client investments into the Funds. On April 13, 2016, the Firm entered into a distribution arrangement with CAIS Capital LLC (“CAIS”), a registered broker-dealer, for the marketing and distribution of the Funds to CAIS’ network of family offices, wealth managers and registered investment advisers with whom CAIS has established relationships.

CAIS is typically compensated through an ongoing asset servicing fee and portion of the Incentive Distribution that is payable by those Fund investors that subscribed into the Funds via a CAIS network relationship. The CAIS portion of the Incentive Distribution is described in more detail in Item 6.

Effective as of December 31, 2019, MREC has active placement agent arrangements with CAIS, as well as two additional placement agent firms: Edgeline Capital, LLC and InFin Capital Ltd. Each arrangements involve payments to these placement agents for successful placement of investors into the Funds.

Item 15. Custody

Investors in the Vehicles receive periodic statements directly from the administrator of the Funds. Annually, investors in Vehicles receive financial statements audited by a CPA firm.

In addition, as discussed in Item 13, MREC may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the custodian and/or administrator and compare them to those received from MREC.

Item 16. Investment Discretion

Clients may hire MREC to provide discretionary investment management services, in which case, MREC enters into investment transactions on behalf of its clients without contacting the client prior to each transaction to obtain the client's permission.

MREC's discretionary authority includes the ability to do the following without contacting the client:

- Determine the type of investment transaction to enter into; and/or
- Determine the amount of the investment transaction to enter into.

Item 17. Voting Client Securities

Declination of Proxy Voting Authority

To the extent applicable, MREC generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. In the event this position changes, MREC will implement the appropriate policies and procedures and promptly update this Item 17 of the Brochure, as necessary.

Item 18. Financial Information

MREC is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.