



# RM ADVISER, LLC

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March 30, 2020  
Part 2A of Form ADV: Firm Brochure

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

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

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

**Item 2:                   Material Changes**

We are required to identify and discuss any material changes made to our brochure since the last update, which is dated November 1, 2019. This Form ADV Part 2A contains certain revisions to the previous version of the brochure that are intended to update information about our business, including changes to the advisory services that we offer. Since its last update, RM Adviser terminated its investment advisory services provided through an interactive, web-based investment calculator (“**Investment Calculator**”) and its investment advisory relationship with each investor who used the Investment Calculator, effective March 12, 2020. If we make any material changes to this brochure in the future, we will continue to revise this section to include a summary of such changes.

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

##### Advisory Firm Description

RM Adviser, LLC (“**RM Adviser**”), a Delaware limited liability company formed in 2015, is an investment advisory firm registered with the Securities and Exchange Commission (“**SEC**”) since 2016 and a wholly owned subsidiary of Realty Mogul, Co., a Delaware corporation (“**Realty Mogul**”). Realty Mogul was incorporated in May 2012 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 “**Realty Mogul Platform**”).

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

##### Types of Advisory Services

RM Adviser currently provides two main types of investment advisory services: (1) since 2016, discretionary investment management of affiliated real estate investment trusts MogulREIT I, LLC (“**MR I**”) and MogulREIT II, Inc. (“**MR II**”) (collectively, the “**RM REITs**”), and (2) beginning in May 2019, discretionary investment management of certain special purpose entities that each invest in one company whose primary business is to own and renovate and/or operate one or more specified commercial real estate projects (“**Single Purpose Funds**”). Hereinafter, the respective company in which a Single Purpose Fund advised by RM Adviser invests in will be referred to as “**Sponsor Entity**.” Sponsor Entities are also managed by RM Adviser.

##### *RM REITs*

RM Adviser manages the RM REITs. The RM REITs are sponsored by RM Sponsor, LLC (“**RM Sponsor**”), another wholly owned subsidiary of Realty Mogul and an affiliate of RM Adviser. 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 RM Sponsor, but which can be materially different from the RM REITs in their investment objectives, legal and economic structures, and fees paid to RM Adviser and its affiliates. Prior to the launch of any such additional REIT, RM Adviser will amend this Form ADV.

##### **MR I**

RM Adviser’s advice to MR I is limited to investment advisory and acquisition services (including performing due diligence on its investments), offering services, asset management services, marketing and advertising services, accounting and other administrative services, stockholder services, financing services, and disposition services, among others. To a limited extent, RM Adviser may advise MR I to invest available cash in liquid securities from time to time in order to minimize cash drag.

## MR II

RM Adviser's advice to MR II is limited to providing investment advisory and acquisition services (including performing due diligence on MR II's investments), offering services, asset management services, marketing and advertising services, accounting and other administrative services, stockholder services, financing services, and disposition services, among others. In addition, RM Adviser makes all the decisions regarding the selection, negotiation, financing and disposition of MR II's investments, subject to the limitations in a management agreement by and between RM Adviser and MR II.

### *Single Purpose Funds/Sponsor Entities*

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

### Tailored Advisory Services and Restrictions

#### *RM REITs*

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

### *Single Purpose Funds/Sponsor Entities*

RM Adviser is responsible for directly acquiring real estate properties and providing asset management services for the Single Purpose Funds. For certain Single Purpose Funds, RM Adviser also manages the Sponsor Entity in which the Single Purpose Fund invests. RM Adviser manages the Single Purpose Funds/Sponsor Entities so that they comply with requirements pursuant to Regulation D under the Securities Act of 1933 (the "**Securities Act**" and "**Regulation D**") and/or requirements applicable to the Single Purpose Funds/Sponsor Entities' exemption from registration as an investment company under the Investment Company Act. RM Adviser does not tailor its advisory services to the individual needs or circumstances of investors in the Single Purpose Funds/Sponsor Entities as the Single Purpose Funds/Sponsor Entities themselves are RM Adviser clients, not the Single Purpose Funds/Sponsor Entities' investors.

### Wrap Fee Program

RM Adviser does not participate in any wrap fee program.

## Assets Under Management

As of February 29, 2020, RM Adviser had approximately \$141,373,135 in assets under management, which RM Adviser manages on a discretionary basis.

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

#### RM REITs

RM Adviser receives fees directly from the RM REITs it manages.

#### *MR I*

For advising and administering MR I, RM Adviser receives a monthly asset management fee at an annualized rate of 1.00%, payable in arrears, which is based on the average investment value of the assets. For purposes of this fee, “average investment value” means, for any period, the average of the aggregate book value of all of MR I’s assets, before reserves for depreciation, amortization, bad debts, or other similar non-cash reserves.

The management fee is payable based on all assets held by MR I, which includes debt financing. This fee structure could reduce RM Adviser’s incentive to devote time and effort to seeking investments that provide attractive risk-adjusted returns and could provide an incentive for RM Adviser to seek debt financing in order to increase assets under management and earn an increased management fee.

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

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

For senior debt, mezzanine debt or preferred equity investments:

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

Similarly, from time to time, a special purpose entity in which MR I invests (this could be a Single Purpose Fund/Sponsor Entity or unaffiliated third party entity) may pay an affiliate of RM Adviser or RM Adviser one or more of the fees set forth below. A portion of these fees may be paid to personnel affiliated with RM Adviser for their roles in the investment opportunity including officers of RM Adviser, Jilliene Helman and Michael Schoellhammer. The following fees will be paid by the particular special purpose entity. The

actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash. These fees may reduce the amount of funds that are invested in the underlying investment or the amount of funds available to pay distributions to the RM REIT, thereby reducing the RM REIT's returns in that particular investment.

For joint venture equity investments:

- Acquisition fee up to 3% of the total contract purchase price of the property paid to RMCC.
- Financing coordination fee and credit guarantee fee up to 1.0% of the financing in the event that an affiliate of RM Adviser or RM Adviser or an officer of RM Adviser provides services in connection with arranging the debt or provides a credit guarantee in connection with the financing.
- Asset management fee in the amount of 1.5% of the RM REIT's pro-rata share of the gross revenues of the particular property in the event that an affiliate of RM Adviser or RM Adviser provides property-level asset management services overseeing and managing the property manager. Affiliates of RM Adviser or RM Adviser will be reimbursed for property-level expenses that it pays or incurs on the RM REIT's behalf, including salaries, bonuses and benefits from persons who also serve as one of RM Adviser's executive officers. RM Adviser or its affiliates may subcontract the performance of its property-level management services to third parties and pay all or a portion of its property-level management fee to the third parties with which it contracts for these services.
- Disposition fee up to 2% of the contract sales price of a property in the event that an affiliate of RM Adviser or RM Adviser provides disposition services for the property.
- Promoted interest in an undetermined amount of the entity's distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return (assuming the client is a "qualified client" as defined in Rule 205-3 of the Investment Advisers Act of 1940 (the "**Advisers Act**").

All the above fees and expenses are non-negotiable and are charged and deducted directly from MR I's assets or from special purpose entities that issue equity to MR I. In addition, MR I will reimburse RM Adviser for out-of-pocket expenses incurred on its behalf. The fees for MR I are detailed in MR I's offering documents, available at [www.realtymogul.com/investment-options#reits](http://www.realtymogul.com/investment-options#reits), and brokerage fees are discussed further below.

## *MR II*

For advising and administering MR II, RM Adviser receives a monthly asset management fee equal to 1.25% at an annualized rate, payable in arrears, which is based on total equity value. For purposes of this fee, the total equity value equals (a) MR II's then-current NAV per share, as determined by MR II's board of directors, multiplied by (b) the number of shares of MR II's common stock then outstanding.

From time to time, when one of the affiliates of RM Adviser makes a preferred equity investment that is sold to MR II, the sponsor of the preferred equity investment may pay to RM Adviser or an affiliate an origination fee equal to 1-3% of the amount funded. A portion of this fee may be paid to personnel affiliated with RM Adviser, including Ms. Helman and Mr. Schoellhammer, for their roles in sourcing the investment opportunity. The origination fee is paid by the sponsor entity and not by MR II. The actual amount of origination fees that will be paid is dependent upon the total debt funded. In addition, an affiliate of RM Adviser may be entitled to an extension and/or exit fee by the sponsor entity and not by

## MR II.

Similarly, from time to time, the special purpose entity that issues equity to MR II may pay RM Adviser or an affiliate one or more of the fees set forth below. A portion of these fees may be paid to personnel affiliated with RM Adviser, including Ms. Helman and Mr. Schoellhammer, for their roles in arranging the investment opportunity. The following fees will be paid by the particular special purpose entity and not by MR II. The actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash. These fees may reduce the amount of funds that are invested in the underlying real estate or the amount of funds available to pay distributions to equity holders, thereby reducing MR II's returns in that particular investment:

- Acquisition fee up to 3% of (i) the total transaction value of the asset acquired for preferred equity investments and (ii) the contract purchase price of the asset acquired for joint venture equity investments.
- Disposition fee in an amount up to 2.0% of the contract sales price of each property sold. Actual amounts are dependent upon the price at which MR II sells or otherwise liquidates its investments.
- Financing coordination fee and credit guarantee fee up to 2.0% of the financing in the event that an affiliate of RM Adviser provides services in connection with the post-acquisition financing or refinancing of the asset.
- Asset management fee in the amount of 1.5% of MR II's pro-rata share of the gross revenues of the particular property in the event that an affiliate of RM Adviser provides property-level asset management services overseeing and managing the property manager. Affiliates of RM Adviser will be reimbursed for property-level expenses that it pays or incurs on MR II's behalf, including salaries, bonuses and benefits from persons who also serve as one of RM Adviser's executive officers. RM Adviser or its affiliates may subcontract the performance of its property-level management services to third parties and pay all or a portion of its property-level management fee to the third parties with which it contracts for these services.
- Promoted interest in an undetermined amount of the entity's distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return.

All the above fees and expenses are non-negotiable and are charged and deducted directly from MR II's assets or from special purpose entities that issue equity to MR II. In addition, MR II will reimburse RM Adviser for out-of-pocket expenses incurred on its behalf. The fees for MR II are detailed in MR II's offering documents, available at [www.realtymogul.com/investment-options#reits](http://www.realtymogul.com/investment-options#reits), and brokerage fees are discussed further below.

### Single Purpose Funds/Sponsor Entities

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

- Management and Administrative Fee: RM Adviser or its affiliates receive management and administrative fees between 1% and 2% for management of the Single Purpose Fund / Sponsor Entity including administrative services such as necessary investor communications



and technology functions. RM Adviser or its affiliates, at their discretion, defer all or a portion of the foregoing fees or reimbursement amounts described above that are payable for any quarterly or monthly period, and to instead receive such deferred amounts in one or more subsequent periods of their choosing, whether in the same calendar year or some future calendar year.

- Property-level Asset Management Fee: RM Adviser can charge an asset management fee to the Sponsor Entity for property-level asset management services between 1% and 2%.
- Legal and Accounting Expenses: RM Adviser (or one of its affiliates) shall be paid (or can direct Single Purpose Funds/Sponsor Entities to pay to third-party service providers, as applicable), as an expense of the respective Single Purpose Fund/Sponsor Entity, fees to compensate RM Adviser for legal, accounting, formation, diligence, related securities filings, travel and other fees associated with the formation of the Single Purpose Fund/Sponsor Entity and related securities filings.
- Promoted Interest: When the Single Purpose Funds/Sponsor Entities have “qualified clients” as defined under the Advisers Act, RM Adviser is entitled to receive a performance-based fee or promoted interest in an undetermined amount of the entity’s distributable cash, after all other partners or members have been paid an agreed upon (6.0% or higher) cumulative, non-compounded preferred return. Pursuant to the joint venture operating agreement of the underlying investment, RM Adviser is entitled to a participation in the promoted interest of the entity which acquired the underlying investment’s distributable cash (certain distributions which are payable to RM Adviser if the underlying investment performs well), and a portion of these fees may be paid to personnel affiliated with RM Adviser, including Jilliene Helman, CEO of RM Adviser, and Michael Schoellhammer, Managing Director of RM Adviser, for their roles in the investment opportunity.

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

When a Single Purpose Fund/Sponsor Entity makes an equity investment, the Single Purpose Fund/Sponsor Entity may pay an affiliate of RM Adviser one or more of the fees set forth below. A portion of these fees may be paid to personnel affiliated with RM Adviser for their roles in the investment opportunity including officers of RM Adviser, Jilliene Helman and Michael Schoellhammer. The actual amounts of the following fees are dependent upon the total invested equity, transaction sizes and distributable cash.

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

All the above fees and expenses are non-negotiable and are charged and deducted directly from the respective Single Purpose Fund/Sponsor Entity's assets. In addition, each Single Purpose Fund/Sponsor Entity will reimburse RM Adviser for out-of-pocket expenses incurred on behalf of the respective Single Purpose Fund/Sponsor Entity. 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.

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

#### Fees Paid in Advance

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

#### Compensation for the Sale of Securities

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

#### Brokerage Fees

Investments made by the RM REITs (on a discretionary basis by RM Adviser) and into Single Purpose Funds/Sponsor Entities (through their own investing) will be made through North Capital Private Securities Corporation ("**NCPS**"), , a registered broker-dealer and member of the Financial Industry Regulatory Authority ("**FINRA**") and the Securities Investor Protection Corporation ("**SIPC**"), and their respective registered representatives. Certain of these registered representatives are also supervised persons of RM Adviser, as described below under Item 12, "Brokerage Practices." NCPS, and their registered representatives receive compensation based on either (1) the sale of the RM REITs' shares, which fees will be paid by the sponsor or an affiliate, (or (2) certain equity investments made by the RM REITs, which fees are generally paid by the sponsor or issuer of the securities.

The actual amount of brokerage fees paid based on sales of shares of the RM REITs are dependent upon the offering proceeds raised. With respect to MR I and MR II, NCPS is paid up to a 1.20% sales commission for their services in connection with the sale of shares of the RM REITs. With respect to Single Purpose Funds/Sponsor Entities managed by RM Adviser, the actual amount of brokerage fees paid depend on the amount of equity raised and the agreement with each Single Purpose Fund /Sponsor Entity. Typically these fees will be the greater of \$50,000 or 4% of the equity raised for a particular Single Purpose Fund /Sponsor Entity but they could be more or less depending on the transaction.

None of these fees are paid by investors who purchase securities through the Realty Mogul Platform, investors in the RM REITs, or the RM REITs; however, where these fees are paid by an issuer, they will indirectly have the effect of lowering the return investors would receive in the absence of these fees as they are deal costs.

Receipt of compensation by affiliates or supervised persons of RM Adviser for the sale of securities purchased by the RM REITs and/or Single Purpose Funds/Sponsor Entities is a conflict of interest because it results in RM Adviser or its affiliates having an incentive to recommend investment products based on the compensation received, rather than on the needs of the respective RM REITs or Single Purpose Funds/Sponsor Entities. RM Adviser has addressed these conflicts of interest through policies that require any such fees to be reasonable and no higher than normally paid for these types of services. In addition, RM Adviser has adopted a Code of Ethics, described in more detail below, which requires it and its supervised persons to act in the best interest of its clients, including the Single Purpose Funds/Sponsor Entities and the RM REITs, based on its fiduciary duty to its clients.

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

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

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

As discussed in Item 5 above, RM Adviser and its supervised persons are currently compensated for advisory services with performance-based fees for management of certain investments where the respective RM REIT, which in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in investments and therefore qualifies as a "qualified purchaser" under Section 2(a)(51) of the Investment Company Act, is an investor, and when the Single Purpose Fund/Sponsor Entity has "qualified clients".

RM Adviser and its supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee. RM Adviser and its supervised persons face conflicts of interest by managing these accounts at the same time, including that RM Adviser and its supervised persons have an incentive to favor accounts for which RM Adviser or its supervised persons receive a performance-based fee. RM Adviser addresses these conflicts of interest by disclosing any such conflict on a deal-by-deal basis to any impacted investors.

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

RM Adviser currently advises the RM REITs and Single Purpose Funds/Sponsor Entities.

##### RM REITs

The RM REITs invest in real estate and real estate-related assets, subject to certain limitations related to their qualification as a REIT under IRS regulations and to maintaining their exclusion from the definition of investment company under the Investment Company Act. The RM REITs have specific eligibility criteria which must be met, and investors in the RM REITs are subject to certain restrictions when investing in the

## RMREITs.

For MR I, an investor must initially purchase at least \$5,000 in its common shares based on the then-current per share purchase price, and at least \$1,000 in its common shares based on the then-current per share purchase price for subsequent investments. The investment minimum for subsequent purchases does not apply to shares purchased pursuant to MR I's distribution reinvestment plan. In addition, existing investors who desire to purchase additional shares in MR I at regular intervals may be able to do so by electing to participate in the automatic investment program, which requires a minimum periodic investment of \$250 per month. In RM Adviser's discretion, MR I may in the future increase or decrease the minimum investment amount for all new purchasers and/or the minimum investment amount required for investments beyond the initial purchase.

For MR II, the minimum investment in shares of its common stock for initial purchase is \$5,000 based on the then-current per share purchase price. Once an investor has satisfied the applicable minimum purchase requirement, any additional purchase must be at least \$1,000 based on the then-current per share purchase price. The investment minimum for subsequent purchases does not apply to shares purchased pursuant to MR II's distribution reinvestment plan. In addition, existing investors who desire to purchase additional shares in MR II at regular intervals may be able to do so by electing to participate in the automatic investment program, which requires a minimum periodic investment of \$250 per month. In the discretion of MR II's board of directors, MR II may in the future increase or decrease the minimum investment amount for all new purchasers and/or the minimum investment amount required for investments beyond the initial purchase.

Investors in the RM REITs must also be "qualified purchasers" as defined in Regulation A under the Securities Act ("**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 non-natural persons). Also, because each of the RM REITs intend to continue to qualify as a REIT under the Internal Revenue Code of 1986 (the "**Internal Revenue Code**"), no person may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 9.8% in value of the aggregate of such RM REIT's outstanding shares of common and preferred stock, or more than 9.8% (in value or in number of all shares, whichever is more restrictive) of the aggregate of the outstanding shares of its common stock.

Finally, so that each RM REIT's underlying assets are not deemed to include "plan assets" subject to the Employee Retirement Income Security Act of 1974 ("**ERISA**") or Section 4975 of the Internal Revenue Code, no more than 25% of the value of any class of equity interests in each RM REIT may be held by "benefit plan investors" as defined in ERISA .

### Single Purpose Funds/Sponsor Entities

The Single Purpose Funds invest in Sponsor Entities which directly acquire real estate. Interests in the Single Purpose Funds/Sponsor Entities are offered as private placements under Rule 506 of Regulation D, and consequently, investors in the Single Purpose Funds/Sponsor Entities must be "accredited investors" as defined in Regulation D. Also, the Single Purpose Funds/Sponsor Entities intend to comply with certain

investment restrictions related to their reliance on an exemption from registration as an investment company under the Investment Company Act.

Finally, so that each Single Purpose Fund/Sponsor Entity's underlying assets are not deemed to include "plan assets" subject to ERISA or Section 4975 of the Code, no more than 25% of the value of any class of equity interests in each Single Purpose Fund/Sponsor Entity may be held by "benefit plan investors" as defined in ERISA .

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

##### Investment Strategies

###### *MR I*

RM Adviser's investment strategy for MR I is to use substantially all of the proceeds of MR I's offering to acquire, asset manage, selectively leverage, syndicate and sell investments in a variety of commercial real estate loans and other investments in commercial real estate. MR I is managed to hold both mortgage or other debt-related investments and equity related investments, with an objective to achieve consistent and increasing cash distributions supported by recurring payments from investments in debt and equity, and by capital gains driven by appreciation from investments in equity.

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

###### *MR II*

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

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

### *Single Purpose Funds/Sponsor Entities*

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

### Methods of Analysis

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

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

#### MR I - Investment Committee

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

#### MR II – Board of Directors

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

## Single Purpose Fund/Sponsor Entity - Investment Committee

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

### Risk of Loss

Investing in real estate and real estate-related assets and securities involves risk of loss that clients, as well as investors in the RM REITs and Single Purpose Funds/Sponsor Entities, should be prepared to bear, including without limitation the risk of all or substantial loss of principal. No return is guaranteed, and there can be no assurances that the RM REITs, the Single Purpose Funds/Sponsor Entities or investors in the RM REITs and/or Single Purpose Funds/Sponsor Entities 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 RM REITs or Single Purpose Funds/Sponsor Entities, the success of its overall management. Potential investors should understand that investment recommendations made by RM Adviser are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investors are reminded that investing in any security, including those offered in the RM REITs or Single Purpose Funds/Sponsor Entities, entails risk of loss they should be willing to bear.

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

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

### *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 RM REITs and Single Purpose Funds/Sponsor Entities.

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

**Dependence on Key Personnel.** The ability of RM Adviser to provide useful and effective investment advice in managing the RM REITs and Single Purpose Funds/Sponsor Entities is dependent in large part upon the skill and expertise of its key executives and top investment professionals. In addition, the success of investments of the RM REITs and Single Purpose Funds/Sponsor Entities are dependent on the skill and expertise of the key executives and top investment professionals of Realty Mogul and its affiliates, including Realty Mogul Commercial Capital, Co. ("**RMCC**"), an affiliate of RM Adviser, or another affiliated lending and servicing entity (collectively, the "**RM Originators**"). There can be no assurance that such key executives will continue to be associated with RM Adviser or its affiliates. In addition, because RM Adviser's supervised persons also provide services to other Realty Mogul affiliates, they may have limited time to devote to RM Adviser and its clients.

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

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

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

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

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

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

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

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

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

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

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

**Illiquidity of Investments in the RM REITs.** Currently, there is no public market for the RM REITs' shares. The RM REITs have adopted a redemption plan whereby shareholders may redeem up to 25% of their shares quarterly. There is a discount for liquidating shares in the first 3 years and a lock up for the first year. RM Adviser may amend, suspend or terminate the RM REITs' redemption plans without notice. Given the restrictions on redemptions, it may be difficult for an investor to sell its shares promptly or at all. If an investor in the RM REITs is able to sell its shares, it would likely have to sell them at a substantial discount to the public offering price. Because of the illiquid nature of the RM REITs' shares, investors should purchase the RM REITs' shares only as a long-term investment and be prepared to hold them for an indefinite period of time.

**Illiquidity of Investments by the RM REITs.** Most investments purchased by the RM REITs are highly illiquid. It is unlikely that there will be a public market for most of the investments. The RM REITs may not be able to sell assets purchased by the RM REITs unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases, the RM REITs may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by the RM REITs may be such that they require a substantial length

of time to liquidate. In the event of a margin call at a time in which the RM REITs do not have sufficient cash assets to cover such call, the RM REITs may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the RM REITs.

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

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

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

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

could put investment dollars at significant risk.

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

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

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

on a debt investment. This incentive could lead to RM Adviser approving equity investments that it would not otherwise approve or to overweighting equity investments in MR I's portfolio.

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

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

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

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

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

- Only an "accredited" investor should invest in a private placement offering. To qualify as "accredited" investor, the investor must (a) have a net worth (not including primary residence) of at least \$1 million, or (b) have an income exceeding \$200,000 in each of the 2 most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.
- Private placement offerings often are speculative, high risk and illiquid investments. An investor can lose his or her entire investment in a private placement offering.
- Private placement offerings are not subject to same laws and regulations, which are designed to protect investors, as registered securities offerings.
- Private placement offerings have not been reviewed by a regulator to make sure risks associated with the risks of private placement investment have been adequately disclosed to prospective investors.
- Private placement offerings often project higher rates of return, but this is typically because the risks of the underlying the private placement investment are also higher.
- Private placement offerings are generally illiquid, meaning there are limited opportunities to resell the underlying security of the private placement. Therefore, an investor may be forced to hold the private placement security indefinitely.

- Investors in a private placement offering are usually provided with less disclosure information than they would receive in a public securities offering. Consequently, investors know much less about the private placement investment and the people behind it.
- Private placement offerings have been used by fraudsters in the past, and consequently private placement offerings are one of the most frequent sources of enforcement cases conducted by state securities regulators. It may be very difficult or impossible for an investor in a private placement offering to recover the money invested from the sponsor of the private placement offering if such offering turns out to be fraudulent.
- Before investing in a private placement offering, an investor should carefully read and fully understand the subscription agreement and the offering memorandum/private placement memorandum.
- For additional details about private placement offerings and red flags associated with such offerings, please visit [http://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_privateplacements.html#.VDane410yUk](http://www.sec.gov/oiea/investor-alerts-bulletins/ib_privateplacements.html#.VDane410yUk).

**Item 9: Disciplinary Information**

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

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

Management Persons as Registered Representatives of Broker-Dealers

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

Material Relationships with "Related Persons"

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

*Mogul Securities, LLC*

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

This relationship poses conflicts of interest, because, based on potential payments to Mogul Securities

and its registered representatives RM Adviser may be incentivized to recommend investments to the RM REITs or Single Purpose Funds that have been referred by Mogul Securities rather than other broker-dealers. When registered representatives are also management persons of RM Adviser, and thus have the power to influence the advice it provides, these risks are particularly acute.

Nonetheless, there are benefits to the RM REITs, Single Purpose Funds/Sponsor Entities, and their underlying investors based on RM Adviser's relationship with Mogul Securities. Namely, because the types of products referred by Mogul Securities to NCPS (most typically, interests in real estate-related joint ventures) are rare and unlikely to be sold through other broker-dealers, and to take advantage of the expertise and connections to these unique investments, RM Adviser utilizes the connections and expertise of Mogul Securities and its registered representatives and its relationship with NCPS. Thus, rather than eliminate transactions referred by Mogul Securities, RM Adviser seeks to mitigate potential and actual conflicts.

In addition, for the Single Purpose Funds and the RM REITs, RM Adviser has adopted policies requiring any fees paid to a broker-dealer to be reasonable and no higher than normally paid for these types of services. RM Adviser also addresses conflicts of interest raised by its relationship with Mogul Securities by adopting and requiring its supervised persons to adhere to a Code of Ethics, described in more detail below, that requires it and its supervised persons to act in the best interest of their clients. Moreover, as registered representatives of Mogul Securities, these sales personnel are subject to the policies and procedures of Mogul Securities and FINRA rules, including any applicable suitability obligations.

#### *North Capital Private Securities Corporation*

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

To address these conflicts of interest, 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, LLC*

RM Manager, LLC (“**RM Manager**”) is a commonly controlled affiliate of RM Adviser that is an exempt reporting adviser that has notice filed with the SEC. Because RM Adviser and RM Manager are commonly controlled affiliates, certain executive officers and personnel of RM Adviser also serve as executive officers and personnel of RM Manager. While RM Adviser believes that its relationship with RM Manager may be material to its business operations, it does not believe that this relationship presents material conflicts of interest with respect to RM Adviser’s clients.

### *Realty Mogul, Co.*

#### Shared Services Agreement

RM Adviser maintains a shared services agreement with its parent Realty Mogul, the sponsor of the Realty Mogul 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 Single Purpose Funds/Sponsor Entities and/or the RM REITs. In particular, during turbulent conditions in the mortgage industry, distress in the credit markets, or other times when RM Adviser will need focused support and assistance, the other affiliates for which these employees provide services will likewise require greater focus and attention. In such situations, RM Adviser and its clients may not receive the necessary support and assistance they require or would receive if it had employees that were solely its own. RM Adviser has addressed this issue by adopting a Code of Ethics, described below, that requires each supervised person to act in the best interests of RM Adviser’s clients.

#### Loan Origination and Sales

RM Originators may originate or purchase loans that are purchased by MR I. RM Originators may receive fees related to these loans, as described above under Item 5, Fees and Compensation.

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

To address these conflicts, RM Adviser has adopted a policy that MR I will only purchase loans from RM Originators at fair market value – generally, the principal amount of the loan. Because most loans are acquired by RM Originators and sold to MR I almost immediately, in the majority of cases this policy protects against the ability of RM Adviser to inflate a loan’s price. In certain cases, however, MR I may purchase a loan at a price different from the principal value. This occurs most frequently when loans are held by Realty Mogul beyond the first principal payment by a borrower. After that point, valuation becomes more complicated, because variables such as payment history, changes to the borrower’s financial status, and changing market conditions may also cause a loan’s value to deviate from the original

cost. To address this issue, in cases where a loan is held by RM Originators beyond the first principal payment, RM Adviser requires an independent representative of MR I (“**Independent Representative**”) to review the purchase of the loan and approve or reject the transactions, unless, in any period after one or more principal payments have been made, (a) all such principal payments were timely made and (b) RM Originators forwards to MR I an amount equal to all such previously paid principal payments. To the extent that any interest payments have been previously made to RM Originators on such loans, RM Originators may retain such interest payments, and RM Originators may increase the purchase price of the loan to cover any inter-period interest payments that would otherwise be owed to RM Originators.

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

#### Loan Warehousing

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

#### Lending to the RMREITs

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

However, MR I can accept the following loans from RM Originators without approval from its Independent Representative if the lending arrangement meets the following criteria: (i) the total of all unsecured related-party loans, in the aggregate, does not exceed \$20 million; and (ii) no outstanding related-party loan carries an interest rate that exceeds the then-current applicable prime rate under the Internal Revenue Code with respect to such loans. With respect to MR II, the Board of Directors has authorized MR II to accept, without prior approval, loans from RM Originators that (i) do not exceed \$20 million, (ii) provide for no more than three principal payments and (iii) do not carry an interest rate that exceeds the then current applicable prime rate with respect to such loans. These conditions are designed to limit the impact of any such loans on the RM REITs and to ensure that the loans are in line with market practices.

### *The RM Originators*

The RM Originators are responsible for originating and/or purchasing loans and equity investments that will be offered to the RM REITs. This arrangement could result in the same types of conflicts described above for Realty Mogul and MRI: that is, other RM Originators could also overprice or “dump” loans into MRI, and/or RM Adviser could have an incentive to purchase these investments regardless of whether they are appropriate for MRI. Further, many of the loans or similar investments that RM Adviser recommends to MRI are originated by the RM Originators. In connection with these loans or investments, MRI pays servicing and administrative fees to a loan servicer, which may be RMCC, an affiliate or a third-party loan servicer. This fee is typically 0.50% 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. MRI also typically pays a 1% special servicing fee on the original value of a loan or investment to the servicer, in addition to other out-of-pocket expenses payable to third parties such as legal fees or foreclosure expenses, in the event that it is deemed to be a non-performing asset by RM Adviser. These conflicts are addressed through the same types of policies described above with respect to Realty Mogul’s role originating and selling loans recommended by RM Adviser, which also apply to loans purchased from the other RM Originators.

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

### *Realty Mogul Commercial Capital, Co.*

RMCC, a licensed real estate sales broker, as a wholly owned subsidiary of Realty Mogul, is a commonly controlled affiliate of RM Adviser and is material to RM Adviser’s advisory business because RMCC may receive buyer’s broker fee ranging between 1%-3% of the contract purchase price paid upon the acquisition of underlying real estate property and/or a seller’s broker fee ranging between 0%-2% of the contract sales price paid upon the sale of underlying real estate property. RMCC may also receive an origination fee of 1.00-2.50% of the amount funded for originating a commercial real estate loan that is sold to the MRI. RMCC may also receive an origination fee of 1.00-2.50% of the amount funded for making

a preferred equity investment that is sold to MR I or MR II. In addition, RMCC may be entitled to any extension fees, exit fees, prepayment fees or default interest by the borrower. Additionally, RMCC or another affiliated entity or individual of RM Adviser may personally guarantee loans related to the acquisition of the underlying real estate property purchased by the Sponsor Entity. In return, that affiliated entity or individual, including Jilliene Helman, an officer of RM Adviser, may receive a loan guarantee fee up to 1% of the loan amount.

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

To address these conflicts, RM Adviser has adopted policies requiring any fees paid to a licensed real estate sales broker to be reasonable and no higher than normally paid for these types of services.

#### *RM Sponsor, LLC*

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 RM REITs. RM Sponsor does not receive any fees in this role. We do not believe this relationship raises any conflicts of interest.

#### *RM Technologies, LLC*

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

#### Recommendation of Other Investment Advisers

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

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

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

RM Adviser has adopted a Code of Ethics ("**Code of Ethics**") in compliance with Rule 204A-1 under the Advisers Act. The Code of Ethics 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 of Ethics requires disclosure by RM Adviser's personnel of 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, RM Adviser's Chief Compliance Officer may grant waivers of certain provisions of the Code of Ethics 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 of Ethics.

The Code of Ethics 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 Supervised Persons, which must be upheld, in part, by addressing both actual and perceived conflicts of interest. The Code of Ethics is intended to promote ethical conduct, provide guidelines and reporting requirements to help ensure compliance by RM Adviser and its 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 of Ethics to any client, prospective client, or investor or prospective investor in the RM REITs or Single Purpose Funds/Sponsor Entities managed by RM Adviser upon written request to the Chief Compliance Officer, 10573 W Pico Boulevard, Los Angeles, CA 90064.

#### *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 of Ethics includes certain provisions regarding transactions in certain securities ("**Reportable Securities**") and other investments by Supervised Persons. The Code of Ethics, 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 of Ethics. 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 of Ethics. 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 of Ethics 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

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

### *Compensation Based on Transactions by the RM REITs*

As discussed above, RM Adviser recommends that the RM REITs purchase investments that result in fees being paid to RMCC, Mogul Securities, 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 RM REITs*

RM Adviser or an affiliated entity may, from time-to-time and in limited circumstances, advance funds to the RM REITs as necessary for the RM REITs to pay their operating expenses and/or satisfy margin calls or other financing needs. Any such advances by RM Adviser or an affiliated entity will not be included in the RM REITs' assets under management for purposes of calculating fees for asset management services. RM

Adviser also does not receive any interest with respect to such advances, but RM Adviser is generally entitled to seek reimbursement at times when the RM REITs have sufficient working capital and the payment of such reimbursement would not require, by itself, the RM REITs to liquidate any of their investments.

RM Adviser's right to be repaid any outstanding advances is senior in priority to the RM REITs' investors' distribution rights. Such advances are at RM Adviser's or its affiliates' sole discretion, and there can be no assurance that RM Adviser or its affiliates will continue to provide such advances. If RM Adviser is unwilling or unable to make such advances in the future, then it may be required to seek other sources of funds in order to meet its financing needs and may be required to pay interest on such funds.

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

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

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

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

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

Although this arrangement could raise conflicts of interest, including those related to payment of broker-dealer fees and commissions paid in connection with the transactions, described in Items 5 and 10 above, these fees are paid by issuers and not by the Single Purpose Funds, RM REITs, or underlying investors. 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 Realty Mogul Platform, such as special purpose entities managed by RM Manager. Those selections are made by Realty Mogul and RM Manager, as applicable.

#### *Research and Other Soft-Dollar Benefits*

RM Adviser does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

#### *Brokerage for Client Referrals*

RM Adviser does not consider whether it or a related person receives client referrals from a broker-dealer or third party when selecting a broker-dealer and it does not receive client referrals from the broker-dealer it utilizes.

#### *Directed Brokerage*

RM Adviser does not recommend, request, require, or permit its clients to direct brokerage.

#### Aggregation of Client Transactions

RM Adviser does not aggregate the purchase or sale of securities for client accounts.

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

#### RM REITs

RM Adviser's Investment Committee periodically reviews RM REITs' accounts to support compliance with the guidelines and restrictions discussed in each RM REIT's offering documents. During such review, which typically occurs on a quarterly basis, the Investment Committee analyzes whether the RM REITs' investments are performing as anticipated, highlights any positive or negative information related to such investments, and takes any necessary action based on its analysis. In addition to formal quarterly reviews, RM Adviser periodically reviews the RM REITs' investments on a more frequent basis to consider financing 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 RM REITs' investments should be reconsidered, RM Adviser may engage in a review outside



regularly scheduled reviews.

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

#### Single Purpose Funds/Sponsor Entities

RM Adviser's Investment Committee periodically reviews the Single Purpose Funds/Sponsor Entities' accounts to support compliance with the guidelines and restrictions discussed in each Single Purpose Fund/Sponsor Entity's offering documents. During such review, which typically occurs on a quarterly basis, the Investment Committee analyzes whether the Single Purpose Funds/Sponsor Entities' investments are performing as anticipated; highlights any positive or negative information related to such investments; and takes any necessary action based on its analysis.

RM Adviser delivers audited financial statements to investors in the Single Purpose Funds/Sponsor Entities on an annual basis within 120 days of the Single Purpose Funds/Sponsor Entities' fiscal year-end.

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

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

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

##### RM REITs

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

### Single Purpose Funds/Sponsor Entities

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

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

RM Adviser provides investment advisory services to the RM REITs and Single Purpose Funds/Sponsor Entities on a discretionary basis, based on the authority provided to RM Adviser as manager under MRI's operating agreement, MR II's management agreement, and each Single Purpose Fund's operating agreement, respectively. RM Adviser is subject to certain restrictions on its management of the RM REITs, including those related to the RM REITs' qualification as a REIT under IRS regulations and to maintaining their exclusion from the definition of investment company under the Investment Company Act, as well as the investment objectives and strategies described in the RM REITs' respective offering circulars.

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

While RM Adviser has the authority to vote securities on behalf of the RM REITs and Single Purpose Funds/Sponsor Entities, RM Adviser is rarely, if ever, involved in proxy voting because the assets of the RM REITs and Single Purpose Funds/Sponsor Entities are generally invested in privately negotiated and owned real estate and equity investments, rather than publicly traded securities or other instruments that involve proxy voting. On occasion, the RM REITs and/or Single Purpose Funds/Sponsor Entities may invest in equity investments that provide voting rights regarding certain matters. In the event RM Adviser receives proxies in connection with such investments, it is RM Adviser's policy to exercise the proxy vote in the best interest of the RM REITs and/or Single Purpose Funds/Sponsor Entities, taking into consideration all relevant factors, including, without limitation, acting in a manner that it believes will maximize economic benefits to the RM REITs and/or Single Purpose Funds/Sponsor Entities and promote sound corporate governance by the issuer. RM Adviser seeks to avoid material conflicts of interest between its own interests on the one hand, and the interests of the RM REITs and/or Single Purpose Funds/Sponsor Entities and underlying investors on the other. However, if RM Adviser determines that such conflicts exist, or may be perceived to exist, when voting a proxy, it 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.

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

Because RM Adviser does not require or solicit prepayment of fees six months or more in advance, RM Adviser is not required to provide a balance sheet for its 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 clients.

RM Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.