

FS REAL ESTATE ADVISOR, LLC

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As of March 30, 2020

This brochure provides information about the qualifications and business practices of FS Real Estate Advisor, LLC ("**FS Real Estate Advisor**" or the "**Adviser**"). If you have any questions about the contents of this brochure, please contact us at (215) 220-6651. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

FS Real Estate Advisor is an investment adviser registered with the SEC. Please note that registration does not imply a certain level of skill or training.

Additional information about FS Real Estate Advisor is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Material Changes

This brochure dated March 30, 2020, is the annual update ("**Brochure**") for FS Real Estate Advisor.

FS Real Estate Advisor will send its clients a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser's fiscal year end. FS Real Estate Advisor may further provide other ongoing disclosure information about material changes, as necessary.

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ITEM 4 – Advisory Business

FS Real Estate Advisor was registered with the SEC on November 4, 2019 for the purpose of providing investment advisory services to FS Credit Real Estate Income Trust, Inc. (“**FSCREIT**” or the “**Company**”). At present, the Adviser’s only client is FSCREIT.

The Adviser may, subject to any limitations described in the investment advisory agreements it enters into with its clients, advise other real estate investment trusts, investment companies, private investment funds, structured finance vehicles, institutional investors or other persons or entities (collectively, the “**Clients**”), at which time the Adviser will make any necessary amendments to this Brochure.

The Adviser does not provide individualized advice to investors (and an investment in an Company does not, in and of itself, create an advisory relationship between the investor and the Adviser). Investors must consider whether a particular i Company meets their investment objectives and risk tolerance prior to investing.

The Adviser has entered into a sub-advisory agreement with Rialto Capital Management, LLC (“**Rialto**” or the “**Sub-adviser**”), a registered investment advisor under the Investment Advisers Act of 1940, as amended (the “**Act**”). Rialto assists the Adviser in identifying investment opportunities and makes investment recommendations for approval by the Adviser according to guidelines set by the Adviser. Rialto also oversees the management of FSCREIT’s investment portfolio..

As of December 31, 2019, the Adviser had approximately \$498,780,000 in assets under management for its Client, which the Adviser manages on a discretionary basis.

The principal owner of the Adviser is Franklin Square Holdings, L.P. (“**FSH**”).

ITEM 5 – Fees and Compensation

As compensation for the performance of its obligations as the Adviser to the Company, it will generally be entitled to receive from the Company, subject to the terms and conditions of the Company’s governing documents, a management fee and may receive an incentive or performance-based fee (collectively, the “**Management Fees**”).

Pursuant to the second amended and restated advisory agreement dated as of August 17, 2018, or the advisory agreement, FS Real Estate Advisor is entitled to a base management fee equal to 1.25% of the NAV for the Company’s Class T, Class S, Class D, Class M and Class I shares, payable quarterly and in arrears. The payment of all or any portion of the base management fee accrued with respect to any quarter may be deferred by FS Real Estate Advisor, without interest, and may be taken in any such other quarter as FS Real Estate Advisor may determine. In calculating the Company’s base management fee, the Company will use its NAV before giving effect to accruals for such fee, stockholder servicing fees or distributions payable on its shares. The base

management fee is a class-specific expense. No base management fee is paid on the Company's Class F or Class Y shares.

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

Pursuant to the amended and restated sub-advisory agreement dated as of August 30, 2017, as amended, or the sub-advisory agreement, Rialto will receive 50% of all base management fees and performance fees payable to FS Real Estate Advisor.

For a more complete discussion of the fees, compensation and other expense reimbursements to which the Adviser may be entitled, please refer to the advisory and administration agreements for the Company (as filed with the Securities and Exchange Commission) and Item 12 – Brokerage Practices.

As the Adviser establishes other relationships (such as, with additional Clients), it may arrange to receive different types of fees, including fixed fees or fees paid on some other negotiated basis.

ITEM 6 – Performance-Based Fees and Side-by-Side Management

Any performance-based compensation will be paid in accordance with Section 205(3) of the Advisers Act and Rule 205-3 thereunder. As described above, the Adviser is entitled to a performance-based fee in connection with the provision of services to the Company.

"Side-by-side management" refers to the simultaneous management of multiple types of client accounts and/or investment products. The Adviser does not advise any separately managed accounts, and therefore, does not engage in side-by-side management.

Conflicts of Interest Associated with Performance Fees and Side-by-Side Management of Accounts:

Speculative Investments

The existence of a performance fee may create an incentive for the Adviser to make or recommend more speculative investments on behalf of certain Client accounts than it would otherwise make, although the Adviser's investment discretion, if any, to select such speculative investments may be constrained by the Company's governing documents, which contain specific investment objectives, strategies, restrictions and guidelines.

Valuation

The Adviser's compensation may be reduced if the Adviser determines to write-down the value of a portfolio investment, creating a disincentive for the Adviser to do so. As a result, to the extent that the Adviser values a portfolio investment higher than its current market value (or where such market values are unreliable), the Adviser may benefit by receiving management fees that are increased by the impact, if any, of such valuation discrepancy. The Adviser may have a role in determining asset values with respect to Clients and may be required to price an investment when the market price is unavailable or unreliable. Investments that are fair valued in accordance with the Adviser's valuation policies generally will not have reliable market values and the fair value assigned by the Adviser to such investments, as determined in good faith by the Adviser in accordance with its policies and procedures, may not match the next available and reliable market price or, in retrospect, have been the price at which the investment could have been purchased or sold. The Adviser's valuation policies serve to mitigate this conflict.

Conflicts of Interest, Generally

FSH has adopted a conflicts of interest policy, entitled "FS Investments' Policies and Procedures Regarding MNPI and Conflicts of Interest" (the "**Policy**"). The Policy is applicable to the Adviser and outlines controls which help to identify and appropriately address actual, apparent and potential conflicts of interest.

ITEM 7 – Types of Clients

The Adviser provides investment advice to a real estate investment trust and may, in the future, provide such advice to other entities.

ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

FSCREIT's investment strategy is to originate, acquire and manage a portfolio of senior

loans secured by commercial real estate primarily in the United States. It is focused on floating-rate mortgage loans that are secured by first priority mortgages on transitional commercial real estate properties, but it may also invest in other real estate-related assets, including: (i) other commercial real estate mortgage loans, including fixed-rate loans, subordinated loans, B-Notes, mezzanine loans and participations in commercial mortgage loans; and (ii) commercial real estate securities, including commercial mortgage-backed securities ("**CMBS**"), unsecured debt of listed and non-listed REITs, collateralized debt obligations and equity or equity-linked securities. To a lesser extent we may invest in warehouse loans secured by commercial or residential mortgages, credit loans to commercial real estate companies, residential mortgage-backed securities ("**RMBS**"), and portfolios of single family home mortgages. The investment professionals of Rialto will be responsible for identifying potential investments for FSCREIT.

Rialto's investment personnel have extensive experience in real estate investment trust investments. Rialto will source the investment opportunities and recommend investments for approval by the Adviser based on, among other things, suitability, value, risk, potential returns, potential downside, obligor management, capital structure and ownership, agency ratings, structure, and prepayment/event risk. The Adviser executes this strategy through its experienced team, proprietary investment platform and robust monitoring process.

Risks

Currently, the Adviser provides investment advisory services only to the Company. The following is a summary of risks generally applicable to investors with respect to the securities offered by the Company. The Adviser's investment activities involve a significant degree of risk of loss that investors should be prepared to bear. Investors should reference the specific offering circular of the Company for a more complete description of all risks specifically applicable to the securities of and relating to the Company. Therefore, this summary of risks is qualified entirely by the disclosures made in the Company's SEC filings.

Summary Risk Factors

- An investment in our common stock involves significant risk. You should carefully consider the information found in "Risk Factors" before deciding to invest in shares of our common stock. The following are some of the risks an investment in us involves:
- We have a limited operating history and no established financing sources, other than the WF-1 Facility and the GS-1 Facility, and will rely on FS Real Estate Advisor to conduct our operations. FS Real Estate Advisor has a limited operating history and has limited experience operating a public company.
- This is a "blind pool" offering. We have only made limited investments to date and you will not have the opportunity to evaluate our future investments before we make them.

- The purchase and repurchase price for shares of our common stock is generally based on our prior month's NAV (subject to material changes as described herein), and is not based on any public trading market. Because the valuation of our investments is inherently subjective, our NAV may not accurately reflect the actual price at which our assets could be liquidated on any given day.
- Since there is no public trading market for shares of our common stock, repurchase of shares by us will likely be the only way to dispose of your shares. Our share repurchase plan will provide stockholders with the opportunity to request that we repurchase their shares on a monthly basis. However, we are not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month in our discretion. In addition, repurchases will be subject to available liquidity and other significant restrictions. Further, our board of directors may modify, suspend or terminate our share repurchase plan if it deems such action to be in our best interest and the best interest of our stockholders. As a result, our shares should be considered as having only limited liquidity and at times may be illiquid. Finally, we are not obligated by our charter or otherwise to effect a liquidity event at any time.
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. Funding distributions from sources other than cash flow from operations is likely to occur in early stages of our offering before proceeds from the offering are fully invested.
- We have no employees and are dependent on our adviser and the sub-adviser to conduct our operations. Our adviser and the sub-adviser will face conflicts of interest as a result of, among other things, the obligation to allocate investment opportunities among us and other investment vehicles, the allocation of time of their investment professionals and the substantial fees and expenses that we will pay to the adviser and its affiliates.
- This is a "best efforts" offering. If we are not able to raise a substantial amount of capital in the near term, our ability to achieve our investment objectives could be adversely affected.
- There are limits on the ownership and transferability of our shares.
- Our failure to qualify or remain qualified to be taxed as a REIT would adversely affect our NAV and the amount of cash available for distribution to our stockholders.

The continuing spread of a new strain of coronavirus, which causes the viral disease known as COVID-19, may adversely affect our investments and operations.

In addition to the risks set forth in the Company's SEC filings, the following recent developments provide a risk to the Adviser's ability to execute on the Company's investment strategy:

Since its discovery in December 2019, a new strain of coronavirus, which causes the viral disease known as COVID-19, has spread from China to many other countries, including the United States. The World Health Organization has declared the coronavirus outbreak a pandemic, the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak and the President of the United States has declared the coronavirus outbreak a national emergency. Considerable uncertainty still surrounds the coronavirus and its potential effects, and the extent of and effectiveness of any responses taken on a national and local level. The impact of the coronavirus on the U.S. and world economies is uncertain and could result in a world-wide economic downturn that may lead to corporate bankruptcies in the most affected industries and an increase in unemployment.

As a result of our investments being secured entirely by properties located in the United States, the coronavirus will impact our investments and operating results to the extent that its continued spread within the United States reduces occupancy, increases the cost of operation or results in limited hours or necessitates the closure of such properties. In addition, quarantines, states of emergencies and other measures taken to curb the spread of the coronavirus may negatively impact the ability of such properties to continue to obtain necessary goods and services or provide adequate staffing, which may also adversely affect our investments and operating results. In particular, with respect to our investments secured by hospitality properties, a variety of factors related to the coronavirus have, and are expected to continue to, cause a decline in business and leisure travel, including but not limited to (i) restrictions on travel imposed by governmental entities and employers, (ii) the postponement or cancellation of industry conventions and conferences, music and arts festivals, sporting events and other large public gatherings, (iii) the closure of amusement parks, museums and other tourist attractions, (iv) the closure of colleges and universities, and (v) negative public perceptions of travel and public gatherings in light of the perceived risks associated with the coronavirus. In addition, with respect to our investments secured by retail properties, individual stores and shopping malls have been, and may continue to be, closed for an extended period of time or only open certain hours of the day.

To the extent the coronavirus results in a world-wide economic downturn, there may be widespread corporate bankruptcies and an increase in unemployment, which could negatively impact our investments and operations, as well as our ability to make distributions to stockholders. The extent to which the coronavirus impacts our investments and operations will depend on future developments, which are highly

uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others.

ITEM 9 – Disciplinary Information

The Adviser is required to disclose all material facts regarding any legal or disciplinary events that could be material to your evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.

ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser is affiliated with FS Investment Solutions, LLC ("**FSIS**"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. ("**FINRA**"). FSIS is a wholly-owned subsidiary of FSH and has been or is currently the dealer manager for the distribution of securities of certain funds and investment vehicles sponsored by FSH.

The Adviser is affiliated with the following investment advisers: (i) FS Energy Advisor, LLC, the registered investment adviser to FS Energy Total Return Fund, a continuously offered, non-diversified, closed-end, management investment company that operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (ii) FS Fund Advisor, LLC, the registered investment adviser to FS Series Trust, an open-end management investment company that operates as a series trust; (iii) FS Tactical Advisor, the registered investment adviser to FS Tactical Opportunities Fund L.P. a private fund under Rule 3(c)7.; (iv) FS Multi-Alternative Advisor, LLC, the registered investment adviser to FS Multi-Alternative Income Fund, a non-diversified, closed-end management investment company and operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (v) FS Credit Income Advisor, LLC, the registered investment adviser to FS Credit Income Fund, a non-diversified, closed-end management investment company and operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act; (vi) FS Global Advisor, LLC, the registered investment adviser to FS Global Opportunities Fund, a non-diversified, closed-end management investment company under the 1940 Act; (vii) FS/EIG Advisor, LLC, a registered investment adviser that is jointly owned and operated by affiliates of FSH and EIG Asset Management, LLC, and which provides investment advice to FS Energy and Power Fund, an externally managed, closed-end management investment company that has elected to be regulated as a business development company ("**BDC**") under the 1940 Act; (viii) FS/KKR Advisor, LLC, a registered investment adviser that is a jointly owned and operated by affiliates of FSH and KKR Credit Advisors (US) LLC, and which provides investment advice to five private credit BDCs, including FS KKR Capital Corp, a publicly traded BDC; (ix) FS Structured Products Advisor, LLC, a registered investment adviser which provides investment advice to Bridge Street CLO I; and (x) Chiron Investment Management, LLC a registered investment adviser that advises to a variety of pooled investment vehicles.

Conflicts of interest with the Adviser's current Client, the Company, related to these relationships may include the following:

- The directors, officers, investment and other personnel of the Adviser will allocate their time between advising the Company and managing other investment activities and business activities in which they may be involved, including managing and operating the affiliated investment vehicles referenced above, or the "Fund Complex";
- Regardless of the quality of the assets acquired, or the services provided to the Company, the Adviser may receive fees in connection with the management of the Company's portfolio and may receive incentive fees in connection with such activities;
- The personnel of the Adviser and Sub-adviser will allocate their time between assisting the Adviser in identifying investment opportunities for the Company and otherwise providing investment management services to the Company and making investment recommendations and performing similar functions for other business activities in which they may be involved, including in connection with certain other entities in the Fund Complex;
- From time to time, to the extent consistent with the Act and the rules and regulations promulgated thereunder, the Company and certain other investment vehicles in the Fund Complex may make investments at different levels of an investment entity's capital structure or otherwise in different classes of an issuer's securities. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Company and such other investment vehicles;
- The Adviser, and its investment personnel may give advice and recommend securities to other investment vehicles in the Fund Complex which may differ from advice given to, or securities recommended or bought for, the Company;
- Personnel of the Adviser may have existing business relationships or access to material, non-public information that would prevent the Adviser from recommending certain investment opportunities that would otherwise fit within the Company's investment objectives and strategies;
- The Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Company and/or may involve substantial time and resources of the Adviser;
- To the extent permitted by the Act and SEC staff interpretations, and subject to the allocation policies of the Adviser, the Company and any of their respective affiliates, as applicable, the Adviser, and its affiliates may determine it appropriate for the Company and one or more other investment accounts or vehicles managed by the Adviser, personnel of the Adviser or the Adviser's affiliates to participate in an investment opportunity.

To mitigate these conflicts, the Adviser will seek to execute such transactions for all of the participating investment accounts, including the Company, on a fair and equitable basis and in accordance with its allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Company, the Clients for which participation is appropriate and any other factors deemed appropriate. In addition, the Chief Compliance Officer of the Adviser will periodically review policies and procedures that are applicable to the Adviser in its capacity as investment adviser to the Company, and the Adviser's compliance with such policies and procedures.

Further, as discussed above, certain investment and other professional personnel of the Adviser may also be involved in managing the assets of other affiliated investment vehicles pursuant to a different compensation structure which may create conflicts of interest with the Company with respect to their allocation of management time, services and functions.

ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a code of ethics pursuant to Rule 204A-1 of the Advisers Act establishing procedures that govern the conduct and securities transactions of each of the Adviser's officers, employees and supervised persons. The "Code of Business Conduct and Ethics and the Statement on the Prohibition of Insider Trading" (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by the Adviser to its Clients, including the Company. It contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser will be required to acknowledge the terms of this document annually, or when it is amended.

The Code is designed to ensure that the personal securities transactions, activities and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, transactions involving certain classes of securities will be designated as exempt transactions, based upon a determination that trading in these securities would not materially interfere with the best interests of FS Real Estate Advisor's Clients. In addition, the Code requires pre-clearance of certain transactions. Employee trading will be monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. Generally, the securities purchased for the Adviser's Clients will not be available to a retail investor.

ITEM 12 – Brokerage Practices

In General

Most of the investment activity in the Company's accounts will not require the involvement of a broker-dealer. However, the Adviser is required under various agreements to seek best execution.

Research and Soft Dollar Benefit

Neither the Adviser nor the Sub-adviser uses Soft Dollars. In the event that the Adviser's investment activity does involve a broker-dealer or a trading desk offers such arrangements, the Adviser is authorized by the Company to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information, or to pay higher commissions to such firms if the Adviser determines such prices or commissions are reasonable in relation to the overall services provided.

Order Aggregation

To the extent that the Adviser in its sole judgment believes that such aggregation will result in an overall economic benefit to participating Company (taking into consideration the transaction price and other expenses), the Adviser will aggregate purchase and sales.

ITEM 13 – Review of Accounts

The Adviser is required to prepare and deliver written reports and other data required by the Company's indenture and other governing documents, in sufficient time to the parties entitled thereto.

ITEM 14 – Client Referrals and Other Compensation

The Adviser does not pay internal or external parties for referrals.

ITEM 15 - Custody

The Adviser does not custody assets. State Street Bank and Trust Company, as trustee for the Company, has custody of Company funds and send quarterly account statements to investors. Investors should carefully review these account statements, and compare them against the reports, if any, prepared by the Adviser.

ITEM 16 – Investment Discretion

The Adviser retains investment discretion for the Company's investment portfolio. Pursuant to the advisory agreement, the Company's board of directors has delegated to the Adviser the authority to source, evaluate and monitor investment opportunities and make decisions related to the acquisition, management, financing and disposition of the Company's assets, in accordance with its investment objectives, guidelines, policies and limitations, subject to oversight by the board of directors. The Adviser has engaged Rialto, a leading real estate investment and asset management operating business, to perform services on behalf of the Adviser for the Company primarily related to the selection of its investments and the day-to-day management of its investment portfolio. Notwithstanding the engagement by the Adviser of the Sub-adviser, the Adviser retains ultimate responsibility for the performance of the matters entrusted to it under the advisory agreement.

ITEM 17 – Voting Client Securities

The Adviser does not generally manage assets that come with proxy voting rights. To the extent it does, it or the sub-adviser under delegated authority shall vote all such proxies in the best interest of its clients. The Adviser's written voting policies and procedures, and history of votes are available for review by existing clients upon request. To the extent that the Company could invest in securities that would require proxy voting, FS Real Estate Advisor has engaged Institutional Shareholder Services ("ISS") to facilitate Proxy Voting on its behalf.

ITEM 18 – Financial Information

There is no financial condition that is reasonably likely to impair the Adviser's ability to continue to meet its contractual commitments and provide services to its clients. In addition, the Adviser has not been the subject of a bankruptcy proceeding.