



PNC Realty Investors, Inc.
Form ADV Part 2A
Firm Brochure

March 29, 2021

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This Brochure provides information about the qualifications and business practices of PNC Realty Investors, Inc. ("PRI"). If you have any questions about the contents of this brochure, please contact us at 410-237-5309. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Additional information about PRI is also available on the SEC's website at www.adviserinfo.sec.gov.

PRI may refer to itself as a "registered investment adviser." You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Item 2. Material Changes

This brochure dated March 29, 2021 (“Brochure”) reflects the following material change since the firm’s last annual updating amendment dated March 30, 2020:

- The risk section was updated to include additional risks related to our investment strategy and the advisory services we provide.

Item 3.

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Item 4. Advisory Business

The Company

PRI is registered as an investment adviser with the SEC. PRI is a wholly owned subsidiary of PNC Holding, LLC, which in turn is owned by PNC.

Investment Services

PRI primarily provides real estate investment advisory and management services to institutional clients regarding commercial real estate. Currently, PRI provides such services, as well as administrative support services, solely to PNC Bank, National Association (“PNC Bank” or “Trustee”), trustee to the AFL-CIO Building Investment Trust (the “BIT” or the “Trust”). The BIT is a bank collective trust, and as such, is exempt from securities registration under 3(c)(11) of the Investment Company Act of 1940, as amended. The BIT’s participants are limited to and comprised of certain tax qualified pension and retirement plans. The BIT invests equity in real estate investments either through joint ventures or wholly owned entities. Pursuant to an investment advisory agreement with PNC Bank, and subject to the policies and investment objectives of the BIT, PRI advises and assists the Trustee in connection with BIT investments in, and management of, commercial real estate developments and acquisitions located throughout the United States. More specifically, PRI is responsible for, among other things, identifying and sourcing prospective commercial real estate transactions, evaluating those transactions, performing due diligence of the transactions, recommending to PNC Bank potential investments for the BIT, and managing the existing investments and assets of the BIT.

In addition, PRI currently provides to the Trustee non-discretionary investment advice regarding the investment of cash of the BIT in accounts and/or in short-term investment vehicles which may include money market funds and other short-term investment vehicles permissible under Trust documents. PRI uses its knowledge of real estate to build and manage a portfolio of diversified, well-leased and well-located assets.

From time to time, PRI assists the Trustee by providing information for marketing materials used by the Trustee and its agents in marketing the BIT to potential and existing BIT investors. These services include, but are not limited to, providing information to respond to requests for proposals, providing portfolio information and performance results, and furnishing statistical and research data. PRI also assists the Trustee in (1) providing information to respond to participants’ requests; (2) responding to questions from existing or potential BIT participants; (3) reporting to participants and their consultants; (4) preparing federal and state tax returns; and (5) performing other services as agreed by the parties from time to time.

Pursuant to the investment advisory agreement with PNC Bank, PRI has limited discretion in connection with investments of the BIT. PNC Bank, as Trustee of the BIT, at all times retains ultimate responsibility for the management and investments of the BIT. As of December 31, 2020, the net asset value of the BIT real estate assets under PRI’s management was approximately \$5.1 billion.

In the future PRI may provide similar or additional services to those discussed above to other new or existing clients subject to any applicable policies and objectives for such clients.

Item 5. Fees & Compensation

Pursuant to an investment advisory agreement with PNC Bank, PRI currently earns an annual fee of .60% (or .15% per quarter) which is paid quarterly in arrears. The fee is calculated based on the net asset value of the assets PRI manages on behalf of PNC Bank on the last day of each quarter. Fees may be prorated for any assets bought or sold during the quarter. The fee is paid by PNC Bank and is not paid from the assets of the BIT. Expenses incurred by PRI in performing certain services for PNC Bank in connection with the BIT are reimbursed from the assets of the BIT, as permitted under the trust agreement and documents governing the BIT. Such expenses may include:

- (i) Fees and expenses incurred in connection with the proposed or actual acquisition, disposition and ownership of Real Estate Investments (as defined in Item 8, below);
- (ii) Costs related to the acquisition, maintenance, servicing or disposition of Real Estate Investments or other BIT assets; and
- (iii) Out of pocket expenses associated with the administration of the BIT, or the evaluation, inspection, acquisition, maintenance, servicing, operation or disposition of Real Estate Investments, including but not limited to travel expenses.

Neither PRI nor its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges, or 12b-1 or service fees from the sale of mutual funds.

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

PRI does not charge performance-based fees or engage in side-by-side management.

Item 7. Types of Clients

PRI provides investment advisory services solely to the BIT, Participants in the BIT are comprised of qualified pension and retirement plans with union member beneficiaries.

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

Investment Strategies

The purpose of the BIT is to invest in Real Estate Investments, meeting the BIT's investment criteria and objectives. "Real Estate Investments," as defined in the trust agreement, include but are not limited to the following types of investments and interests:

- (i) fee simple interests in, and options on, improved or unimproved real property, whether or not income producing;
- (ii) mortgages, deeds of trust and notes directly or indirectly secured by real property and/or interests in real estate;

- (iii) direct or indirect real estate mortgage and construction type loans, mezzanine financing and certificates representing interests in one or more such loans, including financing or loan transactions providing for the payment of interest based on gross or net cash flow from the project and proceeds from sale, refinancing or other disposition of the project;
- (iv) leases, ground leases, condominiums, cooperatives or other property or interests in real property;
- (v) direct or indirect interests in entities such as associations, corporations, partnerships, limited liability companies, joint ventures trusts, or real estate investment trusts, formed or established to invest in or hold title to real or personal property (collectively referred to herein as an “entity”);
- (vi) real property interests owned, developed or managed by any entity;
- (vii) securities issued by entities whose primary purpose is the investment in, development or management of real property;
- (viii) shares of beneficial interest or other securities of real estate investment trusts; and
- (ix) any other type of investment or interest that may hereafter be developed that the Trustee determines, in its sole discretion, is in the nature of (or furthers the BIT’s investment in) a Real Estate Investment described in subsections (i) through (viii) above, and which is permitted as an investment under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and applicable law.

Methods of Analysis

Investment Analysis

PRI performs a thorough underwriting and analysis in connection with each Real Estate Investment or development project. The analysis performed requires both quantitative and qualitative studies. The analysis may vary depending on the nature, type and stage of the investment.

Information used in the analysis of Real Estate Investments includes due diligence items generally reviewed in the industry as applicable to the type of property and project. Such items include the review of: (i) independent market studies, which include a review of market demand, surveys of the existing and to be built inventory, vacancy rates, rents and operating costs of similar properties in the market area; (ii) property management information, including applicable property management agreements, experience, and bonding information; (iii) information related to the project or property such as site inspections, plans, surveys, purchase documentation, tenant documentation, and applicable zoning requirements; (iv) construction budgets, contracts, and contractors, (v) appraisals of the value of the property; (vi) financial data such as interest rates, debt service coverage, cash; (vii) developer’s credit history, financial condition, and experience; (viii) legal documentation; (ix) third party reports such as environmental site assessments, engineers’ inspections and physical needs assessments; (x) architectural information; (xi) insurance requirements and coverage; (xii) guaranties; and

(xiii) such other factors or studies which may become necessary in the course of the analysis. PRI will analyze and perform due diligence on potential and existing real estate transactions with the intent to protect against risks inherent in commercial real estate investment.

The analysis and advice provided by PRI also is subject to the applicable plan documents, investment policies, objectives and guidelines of its clients, and regulatory requirements, including ERISA.

Real Estate Investments for which PRI provides services include equity investments, debt investments and/or mortgage financing and other forms of direct or indirect real estate investment. Equity investments for which the services of PRI generally have been retained do not constitute securities under applicable law and/or constitute private placements that are exempt from securities registration. Future investments in real estate, however, may constitute securities, if permitted under applicable plan documents and law.

As for any advice rendered by PRI regarding the investment of cash in accounts or short-term investment vehicles, PRI will review and analyze, among other things, the fees, projected return and rates, and risks associated with any such investment. In its review and analysis, PRI may use materials and information provided by third parties, annual reports, prospectuses, filings, corporate ratings and other applicable information.

Investment Oversight

PRI has established the PRI Investment Committee to review proposed investments of the BIT's funds and to assist the Trustee in the administration of the BIT and the management of BIT assets. The PRI Investment Committee makes recommendations to the Trustee with regard to proposed investments and administration of the BIT.

Risk of Loss

Investing in Real Estate Investments involves risk of loss that clients should be prepared to bear. Risks associated with Real Estate Investments include, but are not limited to those set forth below. Investors in the BIT should read the BIT's investment memorandum for greater description of the risks associated with investing in the BIT.

Risks of Real Estate Investments

The Real Estate Investments that the Trust acquires will be subject to risks customarily associated with the ownership of income-producing real estate in the case of equity investments and will be subject to risks customarily associated with the risks of mortgage lending secured by income-producing real estate in the case of mortgage investments. In addition, Real Estate Investments tend to be illiquid and are affected by changing economic, demographic, financial, investment and legal conditions, as well as other factors. Real estate values also are affected by numerous factors, including:

- governmental regulations and changes in tax laws;
- operating costs and inflation;
- the continuing desirability of the location and attractiveness of the projects;
- changes in interest rates or the availability of long-term mortgage funds;
- the ability of the owner to provide for adequate maintenance and insurance of its properties; and
- potential liabilities under environmental and other laws.

As a result of such factors, the value of the Trust's Real Estate Investments can be expected to fluctuate. Certain factors affecting Real Estate Investments are discussed below.

Valuation Risk

There is no actively traded market for Real Estate Investments owned by the BIT. When estimating fair or market value, the Trustee will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments, including appraisals conducted by independent third parties. As more particularly described in this Investment Memorandum and the Trust Agreement, valuations are subject to multiple levels of review for approval and ensuring that Real Estate Investments are fairly valued is an important focus of the Trustee. However, the process of valuing Real Estate Investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such investments and may differ from the prices at which such investments may ultimately be sold. Third-party pricing information may at times not be available regarding certain of the BIT's assets.

Given the uncertainty inherent in the valuation of Real Estate Investments that lack a readily ascertainable market value, the value of such investments as reflected in the net asset value of the BIT, may differ materially from the prices at which the BIT would be able to liquidate the investments. Volatile market conditions could also reduce liquidity in the market for certain investments, which could result in liquidation values that are materially less than the values of such investments as reflected in the net asset value of the BIT.

Furthermore, there may be limited information available about the investments held by the BIT, which generally makes valuation of such investments difficult or uncertain. Consequently, while PRI believes that the investments acquired by the BIT have the potential to provide positive returns, there can be no guarantee or assurance that the price at which such investments are ultimately realized will be the best price that would have been achieved at any prior or subsequent time.

Prolonged Economic Slowdown Could Impair the Performance of Assets

The risks associated with Real Estate Investments will be more acute during periods of economic slowdown or recession, such as the dislocation and weakness in the capital and credit markets, especially if such periods are accompanied by declining real estate values. Concerns about the mortgage market and a declining real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, can contribute to increased volatility and diminished expectations for the economy and markets. The mortgage market may be severely affected by changes in the lending landscape and there is no assurance that these conditions would stabilize or that they would not worsen. Furthermore, a prolonged economic slowdown could result in decreased demand for commercial real estate, impairing property owners' ability to repay their loans.

With respect to mortgage investments, if borrowers default, the Trust may incur losses on its investments if the value of any collateral underlying the mortgage investments is insufficient to cover the full amount of such investments, and the funds from a foreclosure may take a

significant amount of time to realize. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the Trust's net interest income from mortgage investments in its portfolio, as well as the ability to acquire and sell any mortgage investments. Any deterioration of the real estate market could result in a decline in the market value of the Trust's investments or cause it to experience losses related to its assets, which could adversely affect its results of operations, the availability and cost of credit and its ability to make distributions upon receipt of redemption requests.

The Trust is subject to the risk that upon expiration of leases for space located at any property that it owns, the space may not be relet or, if relet, the terms of the renewal or reletting (including the cost of required renovations or concessions to tenants) may be less favorable than the expiring lease terms. Any of these situations may result in extended periods where there is a significant decline in revenue or no revenue generated by a property. If the Trust is unable to relet or renew leases for all or substantially all of the space at any such properties, if the rental rates upon such renewal or reletting are significantly lower than expected, or if reserves for these purposes prove inadequate, the Trust's results of operations and returns will be negatively impacted and the Trust may be unable to meet redemption requests.

In addition, during periods of increased adverse market volatility, the Trust could be exposed to the risk that in the future, the availability under certain of its potential funding sources may decline and/or it may have to post margin collateral, which may have a material adverse impact on the Trust's available liquidity. As a result, the Trust's contingent liquidity reserves may not be sufficient in the event of a material adverse change in the credit markets and related market price market volatility. Additionally, demands on liquidity may result in de-leveraging of the Trust portfolio, which could adversely impact the Trust's results of operations and funds available to meet redemption requests.

Equity Investments

The equity investments of the Trust are subject to the normal risks incident to the ownership and operation of commercial and mixed use real estate. These include the risks normally associated with changes in general or local market conditions, competition for tenants, changes in market rental rates, inability to collect rent due to bankruptcy or insolvency of tenants or otherwise, and the need to periodically renovate, repair and re-lease space and to pay the costs thereof. There is no assurance that any project in which the Trust holds an equity investment will be able to achieve and maintain sufficient cash flow to pay all operating expenses, maintenance and repair costs, and debt service, if applicable, on a timely basis. The successful operation of an income-producing real estate project is dependent upon, among other things, economic conditions generally, and, in the area of the project:

- the degree to which the project competes with other projects in the area;
- timely collection of rent and other charges payable by tenants;
- timely renewal or replacement of existing tenants and leases;
- operating costs;
- increases in rents and charges to cover increases in operating expenses (including taxes; utility rates and maintenance costs) and the costs of required repairs resulting from reasonable wear and tear and casualties;
- the impact of applicable federal, state and local laws; and,

- the performance of the management agent.

Many of the costs associated with the ownership of an equity interest in real estate, real estate taxes and assessments, maintenance expenses and certain operating costs, are relatively fixed and payable whether or not cash flow from such real estate is sufficient for such payments. In addition, many of such costs are beyond the control of the owner or management agent of the property and may increase over time, whether or not rents and other charges payable by tenants may be increased. There may also be shortages of or delays in obtaining the supplies and materials needed to operate a project, such as heating fuels, gasoline, electrical power or other supplies and materials. In addition to the general types of risks identified above, certain types of income-producing projects may be subject to specific risks. For example, shopping center properties may be affected by factors influencing the retail industry, such as the trend towards consolidation in the industry and the increasing popularity of on-line shopping, as well as “superstores” and “off-price” retailing. The success of a particular shopping center project may be affected by changes in the drawing power of an anchor tenant, the loss of an anchor tenant, the financial distress or bankruptcy of an anchor tenant, and changes in consumer demand as a result of demographic changes or changes in consumer preferences. Some of these same risks apply to commercial office buildings where one or a few large tenants occupy a significant portion of the leased space. Industrial properties may be affected by other factors, such as changes in the demand for industrial space relating to the rise or decline in particular industry segments such as manufacturing or the characteristics of the particular project. A project that met the needs of its original tenant or tenants may be difficult to re-lease to another tenant or tenants or may become functionally obsolete relative to newer properties.

Changes in Laws

Changes in applicable federal, state and local laws may result in requirements or restrictions affecting a particular property that adversely affect its operation, occupancy levels or operating costs. For example, changes in environmental or other laws may impose or increase restrictions on the use or operation of a project, may increase certain expenses of the project or may necessitate potentially expensive changes in the physical configuration of the property, such as those changes that may be required to cause a property to comply with the Americans with Disabilities Act, and similar future legislation.

Changes in federal tax laws may make investment in real estate less attractive economically and thereby adversely affect real estate values. It is possible that additional tax law changes will occur which could have an adverse effect on such investments. The Trustee cannot predict if any such legislation will pass Congress, and if so, in what form such legislation will pass. Participants and prospective participants are encouraged to consult their own tax advisors about any new tax law developments.

Risks of Litigation

A real estate project may be vulnerable to potential litigation arising from public or private disputes about the construction or operation of properties. Such disputes and/or litigation may arise during construction or in the course of operations as to construction problems or delays, violations of federal, state or local ordinances, property tax valuations and assessments, rent or profit controls, the terms of lease agreements with tenants or any other contract or agreement affecting the properties.

Potential Liability Relating to Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner or operator (and in some circumstances, a mortgagee) of real property may become liable for the costs of removal or remediation of certain hazardous or toxic substances on, in or under such property. Such liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of any required remediation or removal of such substances may be substantial and the owner's liability therefore as to any property is generally not limited under such laws, ordinances and regulations and could exceed the value of the property and/or the aggregate assets of the owner. In addition, the presence of, or the failure to properly remediate, such substances, may adversely affect the value of the property, give rise to a lien on the property to ensure the payment of the cost of clean-up or result in liability to governmental authorities or other third parties for such costs, or adversely affect the owner's ability to sell the affected real estate or to borrow using such real estate as collateral. As part of the Trust's internal policies, the Trustee generally requires a satisfactory Phase I environmental assessment prior to acquisition and, if necessary, a Phase II environmental assessment or evidence of full remediation of any toxic substance from an engineering firm acceptable to the Trustee for all Real Estate Investments. Notwithstanding such commercially reasonable efforts, there can be no guarantee that every hazardous or toxic substance will be discovered or fully remediated.

Possible Risks Associated with Climate Change

PRI cannot predict with certainty whether climate change is occurring and, if so, at what rate. The frequency and severity of catastrophic climate events could be exacerbated by climate change, which could have a material adverse effect on the operations and business of the firm and/or the BIT. For example, many Real Estate Investments are located in cities along the East and West U.S. coasts. To the extent climate change causes changes in weather patterns, the markets in which the Trust holds interests in properties could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for residential and commercial space in the Trust's buildings or the Trust's inability to operate the buildings at all. Climate change may also have indirect effects on a Trust's business by increasing the cost of (or making unavailable) property insurance on acceptable terms, increasing the cost of energy and increasing the cost of maintenance. Moreover, compliance with new laws or regulations related to climate change, including compliance with "green" building codes, may require property owners to make improvements to existing properties or increase taxes and fees assessed on properties. There can be no assurance that climate change will not have a material adverse effect on the Trust's Real Estate Investments, operations or business or that losses resulting from climate change events will be covered by insurance.

Impact of Land Use, Zoning, Wetlands and Other Controls

Governmental authorities at federal, state and local levels are actively involved in the promulgation and enforcement of regulations relating to land-use and zoning restrictions, fresh and saltwater wetlands and protection of endangered species and other matters. Regulations may be promulgated which would have the effect of restricting or curtailing the development of properties or the usage of properties or restrictions or controls on the setting of, or increase in, multifamily rents. The institution of such regulations could have the effect of increasing the expenses and lowering the income or rate of return, as well as adversely affecting the value of any property affected thereby.

Epidemics, Pandemics, and Other Human Health Crises

A global pandemic, an epidemic affecting a geographic region where Real Estate Investments or properties are concentrated, and other large-scale human health crises may result in significant disruptions to the development or operations of Real Estate Investments. The extent of development delays and increased costs in connection with such events will be a function of the severity of the event, the nature and scope of governmental responses to such event, the impact of the event on the workforce employed by Real Estate Investments, and the total amount of exposure in the affected area. In addition, pandemics, epidemics and other human health crises could have negative impacts on investments outside of the areas directly affected. To the extent that a disruptive health event adversely impacts global manufacturing and supply chains for components and systems integrated into the development and building of investments, such an event could have an adverse effect on Real Estate Investments.

Coronavirus Outbreak Risks

The novel coronavirus pandemic (“COVID-19”) has meaningfully disrupted the global economy and markets and could materially and adversely impact or disrupt the financial condition, results of operations, cash flows and performance of the Firm and the BIT. While economic conditions have improved, activity remains below its pre-pandemic level, with the partial recovery inconsistent across different geographic regions, sectors, companies and individuals, and subject to setbacks.

The pandemic has resulted in actions by U.S. federal and state governments and by the private sector, including, without limitation, business closures, business suspensions (including, in some cases, restrictions on construction), public gathering limitations, shelter-in-place orders and lockdowns, restrictions on travel and quarantines, as well as implementation of lending programs, rental assistance and moratoriums on evictions and foreclosures (as well as freezes on rent increases for certain properties). These actions directly affect real estate owners, and may directly or indirectly result in delays, prolonged development periods, increased administrative burdens or disruptions, and increased costs and expenses.

If efforts to contain COVID-19 are unsuccessful and restrictions on businesses and activities continue in place for extended periods or are increased, the recovery would likely be much weaker and the economy could fall back into recession. As a result, there is still a great deal of uncertainty about the length and severity of the pandemic and the strength or reversal of the economic rebound.

In addition, the COVID-19 pandemic is likely to cause significant continuing disruptions to travel, workplace operations and global supply chains as affected jurisdictions ease and remove

responsive measures on different timeframes. The extent to which the Firm's results are affected by the COVID-19 pandemic will largely depend on future developments regarding the severity, scope, and duration of the pandemic and its broader effect on the global economy. These factors remain highly uncertain and cannot be accurately predicted. Accordingly, the full impact of the COVID-19 pandemic cannot currently be determined.

Risks of Borrowings in Connection with Investments

The Trust may acquire equity investments in projects subject to mortgages and may mortgage or pledge Trust assets or otherwise borrow money to fund commitments or as part of the structuring of specific transactions, particularly in larger projects in which the Trust's ultimate position will be an equity interest. Other borrowing arrangements may involve the mortgaging or pledging of groups of assets to secure revolving credit lines or other borrowings. While this actually will increase the funds available for investment by the Trust, it may also increase the risk of potential loss. In the event of a default on a mortgage or other secured borrowing, the lender could foreclose on the mortgaged or pledged assets and the Trust could lose its investment. In certain instances the interest rate on the loan to the Trust may be a floating rate based on a benchmark interest rate such as The London Inter-Bank Offered Rate ("LIBOR") or the U.S. Prime Rate or certain spread in excess of those benchmarks. In those situations, either on its own volition or as required by the lender, the Trust may hedge its interest rate exposure, based on the floating nature of the interest rate, by entering into a derivative contract known as an "interest rate swap" with a financial institution. However, to the extent it is able to borrow on a non-recourse basis, the Trust would not be liable for any deficiency between the proceeds of foreclosure and the amount of the debt, except to the extent of limited "carve-outs" typically included in non-recourse provisions. To the extent a borrowing is at a high "loan-to-value" ratio, these risks would be increased.

LIBOR Discontinuation Risk

LIBOR is used as a reference rate for loans and other instruments and transactions, which means it is the base on which relevant interest rates are determined. In July 2017, the U.K. Financial Conduct Authority ("FCA"), which regulates the process for setting LIBOR, announced that it will stop compelling banks to submit LIBOR rates after 2021. In March 2021, the FCA and the ICE Benchmark Administration ("IBA"), the administrator of LIBOR, announced the dates for the cessation of publication of, and non-representativeness of, various settings of LIBOR. These announcements ("March Announcements") enable market participants to identify the dates that financial instruments and contracts that reference LIBOR will transition to an alternative reference rate (*e.g.*, a risk free rate such as the Secured Overnight Financing Rate ("SOFR")). The March Announcements also fix the spread adjustment under certain industry-standard documents, thereby helping to clarify the economic impact for transitioning from LIBOR to SOFR in the U.S. loan market.

It is difficult to predict the full impact of the transition away from LIBOR. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other

unforeseen effects, could adversely impact the performance of the BIT. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur prior to the end of 2021. The effect of any changes to or discontinuation of LIBOR will vary depending on (1) existing fallback terms, if any, in individual contracts providing for what reference rate will replace LIBOR in the event of its cessation and (2) whether, how, and when industry participants develop and widely adopt new reference rates and fallbacks for both legacy and new products or instruments.

Real Estate Development and Construction; Impact on Equity Investments and Mortgage Investments

Real Estate Investments may involve the development and construction of various kinds of income-producing properties. A Real Estate Investment in a project during its development and construction phases generally involves significant risks in addition to those involved in a Real Estate Investment in an established property. These transactions may involve special risks, including that

- the developer may have economic or business interests or goals which are inconsistent with those of the Trust,
- the developer may act in a manner which is contrary to the instructions or requests of the Trust or contrary to the Trust's policies or objectives with respect to its Real Estate Investments, and
- the developer might prove unable to complete the project as planned or on schedule and within its budget.

Among other things, actions by a developer/partner might have the result of subjecting the Trust to liabilities in excess of those contemplated by the terms of a typical loan or equity transaction. The construction period of a project presents both the owners of equity investments in the project and the holders of mortgage debt secured by the project with unique risks for a variety of reasons. For example, it is sometimes difficult to accurately estimate prior to the commencement of construction the total costs of construction and related carrying costs which will be required in order to complete a project and to pay operating expenses, leasing costs and debt service until the project reaches sustaining occupancy. In addition, the construction period is subject to unforeseeable delays and difficulties that may adversely affect the project and the related construction loan. The total development costs of a project and its scheduled completion date are subject to change as construction and operation of a project progress. During all stages of development and construction, a project owner is subject to extensive environmental, building, zoning and other regulations administered by various federal, state, county and local authorities. Such regulatory requirements (and any changes in such requirements during construction) may result in increased costs, delays in construction and/or an inability to complete a project on schedule and in accordance with development and construction plans. Costs and the time needed to complete construction may also exceed projections as a result of a variety of other factors. These factors include, without limitation, shortages in or the unavailability, when needed, of materials, labor and/or services, increases in the costs of materials, labor and/or services, construction or labor disputes, delays in construction caused by adverse weather, casualty and other factors, epidemics, pandemics or other health crises, poor management, delays and unanticipated costs and difficulties in

obtaining lease-up of a project and other unforeseen occurrences. Such cost overruns and delays may adversely affect the project owner's ability to complete the construction of a project, as well as the economic viability of a project and its ability to generate sufficient revenue to repay any construction or mortgage loan. There is no assurance that a project owner will have the resources available to fund the total construction and marketing costs of a project or be able to secure equity or secondary or alternative financing to fund cost overruns or unanticipated costs. In the event that construction loan proceeds, if applicable, or other funds available to a project owner are insufficient to pay all such costs, the project may not reach completion, satisfy any requirements for permanent financing and/or reach sustaining occupancy. There is no assurance that a project owner will be able to complete the construction or lease-up of a project on schedule and in accordance with development plans. Delays may result from a variety of causes, including, without limitation, the factors discussed above, despite the owner's contractual obligations as to completion and lease-up. Any failure to complete the construction or lease-up of a project on schedule and in accordance with development plans may result in loss of rental income, loss of construction financing, foreclosure of a construction loan and/or the loss of permanent financing for the project, as applicable. Finally, market conditions also may change between the time at which construction commences and the completion of a project, rendering the project economically unfeasible or anticipated rents unattainable. In the event that any of the foregoing or other difficulties occur during the construction period of a project as to which the Trust holds an equity investment, the Trust may bear any resulting losses in whole or in part.

Risks of Joint Venture, Partnership and Participation Relationships

The Trust may acquire interests in or from an entity, such as a joint venture, partnership or limited liability company ("LLC"), for the purpose of investing in equity investments and may acquire or hold mortgage investments in the form of participation interests in mortgage loans. The investment by the Trust in such a manner may subject the Trust to risks not otherwise present, including the possibility that the other participant or participants in the investment will have economic interests different than the Trust and the possibility that the other participant or participants might have a controlling interest and be in a position to take actions contrary to the instructions of the Trust and/or contrary to the interests of the Trust. There is also the potential for an impasse on decisions if none of the joint participants in the investment has a controlling interest and the potential risk that while the Trust may seek to acquire the interest of another participant in the investment, in the event of a sale, it may not have the resources to do so.

Mortgage Investments

The Trust infrequently invests in mortgages; however, such investments are subject to the risks customarily associated with investments in mortgages, which include the risk that borrowers may not be able to make debt service or principal payments when due, that the value of mortgaged property may be less than the amount owed, and that interest rates payable on the mortgages may be lower than the Trust's cost of funds. If the Trust invests in mortgages and if any of the above occurs, operating cash flow, and the Trust's ability to make distributions to unitholders, could be adversely affected. Interest charged by the Trust on its mortgage loans, including the additional interest features on participating mortgages related to performance of the projects, may be limited by the usury and other laws in certain states. Penalties may be

imposed under such laws and such laws may render the obligations to pay interest under such mortgage loans unenforceable in some circumstances. Uncertainties may exist in determining whether loan commitment or other fees payable by the borrower and additional interest, for example, constitute “interest” under state law. Some states impose prohibitions or limitations on remedies available to the mortgagee in attempting to recover the debt from the mortgagor. The effect of these prohibitions and limits is to compel a mortgagee to rely upon the value of the mortgaged property to repay the debt. Such prohibitions and limits may prevent or impede the Trust as mortgagee from obtaining personal money judgments against defaulting mortgagors. Other borrowers’ rights legislation may have the effect of adversely affecting the Trust’s ability to foreclose promptly upon and take title to its security for the debt. The factors discussed above under the captions “Risks of Real Estate Investments – Equity Investments” and “Risks of Real Estate Investments – Real Estate Development and Construction; Impact on Equity Investments and Mortgage Investments” may adversely affect a mortgagor’s ability to meet its obligations to the Trust under a mortgage investment. In the event of a default under a mortgage loan, the Trust may experience delays and incur substantial costs and losses in enforcing its rights and remedies as the lender and may incur losses on its investment. In the event of a default on a mortgage investment, the Trust may be forced to take possession of the underlying project and operate the project as a mortgagee-in-possession and/or be forced to acquire title to a project through foreclosure or other proceedings. Such foreclosure or other proceedings are subject to the laws of the jurisdiction in which the project is located and may be time-consuming and expensive. Any such proceedings may be subject to additional delays, losses and expenses if the borrower is insolvent or is in bankruptcy, if there are any liens or encumbrances which take priority over the mortgage or deed of trust that secures the Trust’s mortgage investment or if there are other lienholders with competing interests. In the event that the Trust acquires possession of a project securing a mortgage investment as a mortgagee-in-possession or acquires title to such project through foreclosure or other means, the Trust may be required to make substantial improvements or repairs in order to preserve and protect the property and/or to maximize the project’s sale potential. In such circumstances, the Trust may be required to borrow funds and may not ultimately be able to recover its investment. Depending upon market conditions, the ultimate proceeds of any sale of a property may not be equal to its investment in the property or the related mortgage investment. The Trust makes mortgage investments that provide for the repayment of principal, in whole or in part, upon maturity in lump-sum “balloon” payments. The Trust also may invest in mortgages and participating mortgages that provide for the accrual of a portion of the interest until maturity or another time. Mortgages providing for balloon payments or accrued interest will likely not require that reserves be maintained in an escrow account for the purpose of paying the balloon payment or accrued interest. Balloon payments and accrued interest provisions substantially increase the risk of default at maturity since substantial amounts are due. The borrower’s ability to pay balloon principal payments or accrued interest when due may depend upon the owner’s ability to sell the property or obtain refinancing at that time in an amount sufficient to pay the mortgage. There can be no assurance that financing, at interest rates that make refinancing economically feasible, or purchasers will be available when the obligations to the Trust on such mortgages are due.

Participating and Convertible Mortgages

The payment of additional interest on a participating mortgage will be dependent on the economic performance of the underlying project and will be subject to the general risks inherent in investing in real property. As a result, the economic performance of an investment in a participating mortgage will be determined by a number of factors affecting the underlying project, including variations in occupancy levels, defaults by tenants in the payment of rents, increases in project operating expenses, competition with other projects, general and local economic conditions, zoning laws, rent control laws and other government regulations, the quality of the management of the project, acts of God such as earthquakes and floods, and epidemics, pandemics and health crises. In general, the factors affecting economic performance will vary for each investment and will depend upon prevailing conditions in the area in which the related project is located. For example, the rate of defaults by tenants in the payment of rents, the occupancy level of a project or the maintenance of occupancy levels by means of rent reductions will each have a direct impact on the portion of net or gross cash flow available to pay additional interest or to avoid a default in the payment of principal and base interest. At present, it is not possible to predict the economic performance of the participating mortgages in which the Trust has invested or intends to invest. Additionally, it is possible that as a result of additional interest payments that are calculated on the basis of factors relating to the operation of a project or proceeds from a sale, refinancing or other disposition, a court in a bankruptcy or similar situation may treat the Trust as a partner or joint venturer with the borrower and the Trust would, accordingly, lose the priority its Mortgage would otherwise have given it in such situations. Similarly, the Internal Revenue Service may treat the Trust as a partner or joint venturer of the borrower, and not as a secured lender, and treat the distributions not as interest payments but, instead, as partnership income possibly subject to Unrelated Business Income Tax. Similar issues may arise with respect to convertible mortgages. A court could view the transaction as an equity arrangement from the outset, thus affecting the rights of the Trust as a secured creditor, or the enforceability of the convertible feature could be challenged as a device intended to defeat the mortgagor's right to redeem the collateral, the so-called "clogging of the equity" issue.

Fluctuation in Interest Rates

If interest rates rise after the Trust makes an investment in a mortgage or a participating mortgage, the market value of the loan will likely fall to the level at which the yield on the loan approximates the market interest rate for similar obligations. Such fluctuation is likely to cause a decline in the NAV of the Trust. The Trust is permitted to sell participating mortgages, mortgages and equity investments at any time, including a time when the sale will result in a loss to the Trust. The Trust does not intend to sell participating mortgages, mortgages and equity investments at a loss, but may do so if it believes the sale to be in the best interests of the Trust. As a corollary, significant declines in interest rates may encourage prepayments that could adversely impact anticipated yields. The Trust attempts to structure transactions so that prepayments must be accompanied by premium payments designed to offset this risk, but such provisions are not always available.

There may be a delay between the time an investor purchases units of the Trust and the time the funds received by the Trust are invested by the Trust in Real Estate Investments. Until the

proceeds can be invested, the Trust risks changes in interest rates and adverse changes in the real estate market.

Interest Limitations

State usury laws establish restrictions, in certain circumstances, on the maximum rate of interest that may be charged and impose penalties on the making of usurious loans, including monetary penalties, forfeiture of interest and unenforceability of the debt. There is a risk that, although the Trust does not intend to make construction loans, participating mortgages, and mortgages at interest rates in excess of those permitted by applicable law, interest on construction loans, participating mortgages, and mortgages could be found to exceed legal limits as a result of uncertainties in determining the maximum legal rate of interest in certain jurisdictions, especially with respect to additional interest on participating mortgages.

Uninsured Losses

The Trustee will arrange for or require comprehensive liability and property insurance which is customarily obtained on properties of the type in which the Trust holds equity investments or mortgage investments and it is intended that “Special Insurance” (*i.e.*, coverage against earthquakes, hurricanes, wars, terrorism, other natural disasters and acts of God) will be obtained for such properties where the Trustee deems it advisable. For properties located in California, for example, the Trustee secures earthquake insurance at levels deemed consistent with industry standards as recommended by an insurance consultant, or other assurances it deems satisfactory to adequately cover the risk. However, the possibility exists that “Special Insurance” may be unavailable in the future, may be available only at prices which the Trustee deems prohibitive or may be subject to extremely high deductibles. Should an uninsured or underinsured event (which could include but not be limited to epidemics, pandemics, or other health crises) occur with respect to a property as to which the Trust holds an equity investment or a mortgage investment, the Trust could suffer a loss of the capital invested and any income and profits which might be anticipated from that investment.

Risks of Bankruptcy

Certain investments in or with other entities, such as a joint venture, partnership or LLC, holding title to a real estate project, in the case of equity investments, or may be held of record or serviced by other entities in the case of mortgage investments. There may be additional risks in the event of the bankruptcy or insolvency of any of such entities or in the event of claims by their creditors, which would not be present in the event that the Trust alone held title to the real property in which it holds its equity investments and held and/or serviced its mortgage investments directly. For example, such entities may, from time to time, receive on behalf of the Trust revenue from real estate projects, including cash flow and insurance, sale and other proceeds, mortgage loan payments, including principal and interest, prepayments and prepayment premiums, and insurance or other proceeds. In the event of the bankruptcy or other insolvency of an entity in possession of amounts due to or belonging to the Trust, such entity’s creditors could seek to attach such assets in satisfaction of their claims, which could delay or prevent remittances to the Trust.

Impact of Economic Controls

In the past, federal, state and local governments have instituted various programs of economic controls, including rent controls. If such, or similar, controls were to be instituted and were to be applicable to the properties in which the Trust holds an equity investment or a mortgage investment, the performance of such properties could be adversely affected, and thus the returns on units and the Trust's NAV would be adversely affected as well.

Risks of Leverage

The Trust has the power to mortgage or pledge Trust assets or otherwise borrow money. Accordingly, there may be substantial obligations due monthly for debt service in addition to operating costs. The principal risk arising from the use of leverage is the possibility that because of changing economic conditions, rents, income, or cash flow, Trust assets might decrease while interest rates payable by the Trust on borrowings might not decrease, and the Trust might be either unable to refinance at lower rates or be subject to substantial costs in doing so. If revenues are insufficient to pay operating costs and debt service on such borrowings, the assets mortgaged or pledged to secure such borrowings could be foreclosed upon and the Trust could lose its entire investment in such assets.

Cyber Security Risk

With the increased use of and reliance on technologies and the dependence on computer systems to perform necessary business functions, PRI, the Trust and its Trustee and their service providers may be subject to operational and information security risks resulting from cyberattacks. In general, cyberattacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information and otherwise causing operational disruption. Successful cyberattacks against or security breakdowns of PRI, the Trust and its Trustee and/or other third party service providers may adversely impact the PRI, the Trust and its respective investors. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private investor information or confidential Trust information, cause reputational damage and subject the Trust to regulatory fines, penalties or financial losses, reimbursement or other compensation costs and/or additional compliance costs. While PRI, the Trust and its Trustee and service providers may have established business continuity plans and systems designed to guard against such cyberattacks or adverse effects of such attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified, in large part because different unknown threats may emerge in the future. Similar types of operational and technology risks are also present for the properties in which the Trust invest, which could have material adverse consequences for such companies, and may cause the Trust's investments to lose value.

Item 9. Disciplinary History

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of the Firm's management in this item. PRI has no legal or disciplinary events to report.

Item 10. Other Financial Industry Activities & Affiliations

Broker-Dealer Registrations

PRI is not registered nor does it have an application pending to register as a broker-dealer.

Affiliations

PRI is affiliated with a number of other investment advisers and registered broker-dealers through PNC:

PNC Investments LLC

PNC Investments LLC, a wholly owned subsidiary of PNC Bank, is a registered broker-dealer and investment adviser which provides full service brokerage and wraps fee programs to its clients.

PNC Capital Advisors, LLC

PNC Capital Advisors, LLC, a wholly owned subsidiary of PNC Bank, provides discretionary fixed income investment advisory services to institutional accounts.

PNC Capital Markets, LLC

PNC Capital Markets, LLC, an indirect, wholly owned subsidiary of PNC, offers loan syndication, public finance underwriting and advisory services, securities underwriting and trading, private placements, asset securitizations and merger and acquisition advisory services.

PRI believes that these affiliations do not cause any material conflicts of interest in connection with the services PRI performs. PRI, PNC Bank and PNC seeks to manage any conflicts in accordance with applicable law and through internal policies and procedures.

PRI and PNC Bank

Both PRI and PNC Bank are indirectly owned by PNC. In addition, some employees and officers of PRI may also be employees of PNC Bank. Affiliates of PNC Bank may be associated with other entities, such as partnerships, LLC's, mortgage pools or other investment entities that may directly or indirectly compete with the BIT.

From time to time, the Bank may engage in other business matters or render services to other business ventures for its own account or for the account of others whose interests may be adverse to the BIT.

In its capacity as Trustee for the BIT, PNC Bank is responsible for all aspects of the management and administration of the BIT. While PNC has delegated certain investment management services and discretion to PRI pursuant to mutual agreement, PNC Bank retains full responsibility for the investment and management of the BIT. PNC Bank can limit at any time the discretion and services of PRI.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PRI has adopted policies and procedures including, but not limited to a Code of Ethics (the “Code”), in order to avoid conflicts of interest. The Code is designed to prevent PRI personnel from personally benefiting from existing investments managed by PRI or investments that are under consideration by, or which have been made by, PRI. For instance, PRI policies preclude any of its staff from investing in deals currently under consideration or recently invested in, without prior approval by senior management which would only be permitted in rare exceptions as permitted under PRI policies and subject to applicable law. A copy of PRI’s Code will be provided to any client or prospective client upon request.

Item 12. Brokerage Practices

At this time PRI generally provides investment advisory or management services regarding commercial real estate transactions that generally are not securities or are securities exempt from securities registration.

PRI does not recommend brokers or dealers, or have control over commissions paid, in the context of traded securities. However, PRI may recommend to its clients, or retain on behalf of clients, certain licensed, real estate brokers at fees negotiated by PRI, for leasing, sales, purchases and similar activities. In addition, on limited occasions, PRI has recommended certain licensed brokers in connection with the sale of a note. PRI does not directly or indirectly earn any fee in connection with the selection of any broker on a client’s behalf.

Item 13. Review of Accounts

PRI and its staff review the investments held in the BIT on an ongoing basis. The process generally includes a review of specific investments held, the asset mix of the portfolio, the availability of cash for investment, the performance of the portfolio, and major market and economic developments and their effect on the portfolio. Investment advisory teams meet weekly or as necessary to discuss market developments, economic outlooks, and review individual investments. The PRI Investment Committee also presents quarterly to the BIT Investment Committee of PNC Bank as to the performance of the BIT investments.

The quarterly review of assets is designed to review and determine, among other things: (1) the performance as compared to applicable benchmarks; (2) whether the investment objectives

of the BIT are being met; (3) whether the investments are appropriate in the context of the investment and strategic policies and objectives; and (4) compliance with established investment restrictions and guidelines and the Trust Agreement.

Item 14. Client Referrals and Other Compensation

PRI does not receive an economic benefit from anyone other than its client, PNC Bank, for providing investment advice, administrative or management services. PRI may enter into written agreements with affiliated and third party solicitors to refer potential clients to PRI.

Item 15. Custody

PRI currently does not provide custodial services to its client; however, PRI is deemed to have “custody” within the meaning of SEC Rule 206(4)-2 under the Investment Advisers Act of 1940, as PNC Bank holds client funds and securities.

The participants in the BIT are not PRI’s clients, however each participant in the BIT receives audited financial statements of the BIT, prepared in accordance with generally accepted accounting principles, typically within 120 days following the BIT’s fiscal year end. Participants should review these audited financial statements carefully. If you have invested in the BIT and have not received audited financial statements timely, please contact PRI.

Item 16. Investment Discretion

PRI has been delegated certain discretion over the investments in the BIT. Such discretion has been set forth in, and limited by, the provisions of the investment advisory agreement between PRI and PNC Bank.

Item 17. Voting Client Securities

As a real estate investment manager, PRI generally does not have the opportunity to vote proxies.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required in this Item 18 to provide to its clients certain financial information or disclosures about their financial condition. PRI does not currently fall within those circumstances. Notwithstanding the foregoing, PRI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.