



## **PR Mortgage Investment Management, LLC**

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This Brochure provides information about the qualifications and business practices of PR Mortgage Investment Management, LLC ("**PRMIM**"). If you have any questions about the contents of this Brochure, please contact PR Mortgage Investment Management, LLC's Chief Compliance Officer, Brad Brautigam, at (215)-360-3803 or by email at [bbrautigam@prmortgageinvestment.com](mailto:bbrautigam@prmortgageinvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Registration of an investment adviser does not imply any level of skill or training. Additional information about PRMIM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to PR Mortgage Investment Management, LLC as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

**Item 2 - Material Changes**

Since PRMIM's initial Brochure filing dated April 26, 2021, including the other-than-annual filing on November 12, 2021, PRMIM has undertaken a complete update of the Firm's Brochure, including material disclosures in all Items. PRMIM has enhanced the disclosures addressing Items 4 through 18.

**PRMIM urges investors and prospective investors to read this Brochure carefully.**

**Item 3 - Table of Contents**

<b>Item 2 - Material Changes .....</b>	<b>2</b>
<b>Item 3 - Table of Contents .....</b>	<b>3</b>
<b>Item 4 - Advisory Business .....</b>	<b>4</b>
<b>Item 5 - Fees and Compensation .....</b>	<b>5</b>
<b>Item 6 - Performance Fees and Side-by-Side Management .....</b>	<b>6</b>
<b>Item 7 - Types of Clients.....</b>	<b>7</b>
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Item 9 - Disciplinary Information.....</b>	<b>15</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>15</b>
<b>Item 11 - Code of Ethics, Participation/Interest in Client Transactions, and Personal Trading.....</b>	<b>16</b>
<b>Item 12 - Brokerage Practices.....</b>	<b>16</b>
<b>Item 13 - Review of Accounts .....</b>	<b>17</b>
<b>Item 14 - Client Referrals and Other Compensation .....</b>	<b>17</b>
<b>Item 15 - Custody .....</b>	<b>18</b>
<b>Item 16 - Investment Discretion .....</b>	<b>18</b>
<b>Item 17 - Voting Client Securities .....</b>	<b>18</b>
<b>Item 18 - Financial Information.....</b>	<b>18</b>

#### Item 4 - Advisory Business

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PR Mortgage Investment Management, LLC (“**PRMIM**” or the “**Firm**”) is a Delaware limited liability company that was formed in August 2019. PRMIM provides investment management services to PR Mortgage Investment, LP. PRMIM’s only client is PR Mortgage Investment, LP (“**Fund**” or “**Client**”). PRMIM is owned and controlled by B3, LLC whose members and principal owners are Barry Bier, Sanford Blitzer and Brad Brautigam (“**Principals**”). Merchants Bancorp (NASDAQ: MBIN) owns a minority stake in PRMIM.

PRMIM provides investment management services to PR Mortgage Investment, LP, a Delaware limited partnership ( the “**Fund**” or “**Client**”) primarily by investing in a leveraged portfolio of real-estate-related debt and other real-estate-related and mortgage-related assets (including equity, debt and synthetic assets and instruments), servicing rights, commercial and residential mortgage loans and mortgage-backed securities, other securitized assets (including risk retention securities), index instruments, financing and hedging instruments and derivatives, and other debt and loan instruments. The general partner has the right to cause the Fund to form, and in such event a portion of the Fund’s capital may be used to form and fund, one or more separate companies that will be in the business of originating and/or warehousing residential or commercial real estate mortgage loans and/or securitizing such loans as part of the Fund’s investment activities, (an “**Origination Company**”). At this time, the Fund has not formed an Origination Company. The general partner has formed PRMI Securitization, LLC (“**Securitization Depositor**”) which is in the business of facilitating the securitization of residential or commercial real estate mortgage-backed securities transactions. PRMI Securitization, LLC’s overhead costs will be borne by such entity, which is wholly owned by the Fund. The Fund has also formed a wholly owned subsidiary, PRMI Capital Markets LLC, to act as a securitization sponsor ( the “**Sponsor**”). It is anticipated that the Sponsor will form one or more majority owned entities to hold any required risk retention securities.

PRMIM will provide discretionary investment management services to the Fund in accordance with the relevant governing and offering documents of the Fund, including any limited partnership agreement, investment management agreement, private placement memorandum and/or subscription agreement, as the case may be (each, an “**Offering Document**”, and collectively, the “**Offering Documents**”). PRMIM does not tailor its advisory services to the individual investors in the Fund (each, an “**Investor**”, and collectively, the “**Investors**”), or provide Investors with the right to specify, or restrict the Fund’s investment objectives or any investment or trading decisions.

The general partner of the Fund is PRMIGP LLC (the “**General Partner**”), a Delaware limited liability company. The General Partner has ultimate responsibility for decisions relating to management and operations made on behalf of the Fund and has ultimate responsibility for the investment decisions made on behalf of each Fund but has delegated certain responsibilities to PRMIM.

The administrator of the Fund is SS&C ALPS (the “**Administrator**”). The Administrator provides accounting and reporting for the Fund.

PRMIM does not participate in wrap fee programs.

As of December 31, 2021 PRMIM has \$112,272,521 of regulatory assets under management all of which are managed on a discretionary basis.

**Item 5 - Fees and Compensation**

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PRMIM's fees and compensation are fully described in the Fund's Offering Documents. All limited partnership interests in a Fund will be sold exclusively to investors that are both (i) "accredited investors" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), and (ii) "qualified purchasers" for purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act").

Management Fees

The minimum capital commitment for investment in the Fund is \$1 million (exceptions may be approved) and investors must be an "accredited investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933. Management fees are 1.75% of invested capital with respect to capital commitments of \$10 million or more, and 2.0% for all other Investors during the investment period ("Management Fee"). Management Fees will be charged on each Investor's pro-rata share of net asset value after the investment period. After three years, the rate is reduced by 0.25%, to 1.5% and 1.75%, respectively. During any extension beyond the 10-year Fund term (up to 2 years), the rate is reduced to 1.0%. PRMIM does not receive commissions or referral fees from third parties, nor is it affiliated with any broker-dealer. PRMIM manages the investments of the Fund within the framework of the Fund's Private Placement Memorandum and has no discretion outside of that in how it utilizes investors' capital. The Management Fee is payable quarterly in arrears and debited from an Investor's account. The Management Fee for a period of less than a full quarter will be pro-rated based on the actual number of days in such period.

PRMIM may, in its discretion, waive, reduce, rebate or calculate differently all or part of its management fee in respect of any Investor, without the consent of or notice to any other Investor. PRMIM has not waived or reduced management fees to date.

Asset-Level Service Fees

The Fund and its affiliates have and will be permitted to contract with Merchants Bank of Indiana ("MBI") a subsidiary of MBIN, and their affiliates for asset management, loan servicing securitization, closing, advisory, due diligence and other ancillary services in respect of the Fund's assets. MBI and their affiliates will be compensated by the Fund and its affiliates for such services, as reasonably determined by the General Partner, and may receive various fees as a result of services performed by them for, or for the benefit of, the Fund including origination fees, lending arrangement and syndication fees, loan servicing fees and other asset management fees, closing fees, advisory fees for due diligence and other ancillary services provided by MBI or such personnel. Any such compensation will be in addition to and will not reduce Management Fees.

Performance-based Fees

Distributions from the Fund will be made at such times and in such amounts as the General Partner may determine in its sole discretion, provided that the General Partner expects to make distributions of at least 30% of estimated taxable distributable income of the Fund, on a cumulative basis (such amount, the "Tax Distribution Amount"), at least quarterly as a tax distribution, subject to adjustment based on year-end performance. The General Partner will be entitled to withhold from and reduce distributable income by such amounts as it deems necessary to create appropriate reserves, for, or otherwise to pay, current or potential costs, expenses, indebtedness, liabilities and other obligations of the Fund (including Incentive Distributions), as

well as for any required tax withholdings. In addition, the General Partner may withhold from distribution amounts pending new investments. Each Investor will have the option to elect to reinvest in the Fund any or all amounts otherwise distributable to such Investor after the Drawdown Period rather than receiving a distribution on a quarterly basis, which election may be modified on an annual basis upon written request. Such reinvestments will be treated as additional capital contributions.

Any distributable cash (including current income and proceeds from dispositions) will first be attributed among all Investors (including the General Partner) in respect of their pro-rate net asset value. Thereafter, distributions will be made between Investors and the General Partner in the following amounts and order of priority:

- a) First, 100% to Investors until the cumulative amount distributed to Investors equals the aggregate capital contributions made by each Investor;
- b) Second, 100% to the Investors until the cumulative amount distributed to Investors equals a preferred return of 6% annum, compounded annually on the amounts described in (a) above; and
- c) Third, 100% to the General Partner until the General Partner has received 1) in aggregate, 20% of the excess of (i) the cumulative distributions made to Investors over (a) above; and (ii) 20% thereafter to the General Partner and 80% to the Investors (the "Incentive Distribution").

#### Expenses

Organizational expenses (excluding any placement agent fees) up to \$750,000 will be borne by the Fund. Organizational expenses in excess of such amount will be paid by the Fund but borne by the Manager through a 100% offset against the Management Fee. Any placement agent fees incurred by the Fund will be paid by the Fund but will also be borne by PRMIM through a 100% offset against the Management Fee.

PRMIM renders its services to the Fund at its own expense, including its overhead expenses such as salaries and fringe benefits of its personnel, rent, office equipment, newspapers and other mass-market periodicals, computer equipment, data processing, utilities of any office space maintained, office supplies, secretarial services, and any other overhead-type expenses.

All other expenses are borne by the Fund, including, but not limited to, operating expenses such as appraisal fees, brokerage fees, expenses relating to hedging, legal and accounting fees, taxes and other governmental charges levied against the Fund, regulatory expenses, "broken deal" expenses, interest expenses incurred in respect of indebtedness, and reimbursement of the Fund's pro-rata share of any reasonable expenses of the Board of Advisors. Expenses of the Securitization Depositor will be borne by such entity, which is wholly owned by the Fund.

Investors have the right to request a redemption of a portion of their investment in the Fund commencing seven years after the initial closing, upon 90 days prior written notice as of the close of business on January 1 of each calendar year (the "Redemption Date") of up to 25% of Investor's total net asset value.

#### **Item 6 - Performance Fees and Side-by-Side Management**

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PRMIM or its related person receive a performance-based distribution from the Fund, subject to the terms set forth in the Offering Documents.

As stated above, any distributable cash (including current income and proceeds from dispositions) will first be attributed among all Investors (including the General Partner) in respect of their pro-rate net asset value. Thereafter, distributions will be made between Investors and the General Partner in the following amounts and order of priority:

- a) First, 100% to Investors until the cumulative amount distributed to Investors equals the aggregate capital contributions made by each Investor;
- b) Second, 100% to the Investors until the cumulative amount distributed to Investors equals a preferred return of 6% annum, compounded annually on the amounts described in (a) above; and
- c) Third, 100% to the General Partner until the General Partner has received 1) in aggregate, 20% of the excess of (i) the cumulative distributions made to Investors over (a) above; and (ii) 20% thereafter to the General Partner and 80% to the Investors (the “Incentive Distribution”).

It should be noted that such performance-based compensation creates a potential conflict of interest in that it may incentivize PRMIM or its related persons to recommend investments that are riskier or more speculative than would be the case absent this performance-based compensation. As such, PRMIM has implemented policies for approving investments that are intended to mitigate the potential conflict of interest associated with performance-based compensation. Investors in the Funds are informed of the performance-based compensation in the Offering Documents.

## **Item 7 - Types of Clients**

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PRMIM provides investment advice to the Fund and not to Investors. Each Investor generally must be a U.S. person that is (i) an “accredited investor”, as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and (ii) either a “qualified purchaser”, as defined in the U.S. Investment Company Act of 1940, as amended (the “**Company Act**”), or a “knowledgeable employee”, as defined in Rule 3c-5 under the Company Act and must meet other suitability requirements. The subscription agreement contains representations and questionnaires relating to these and other qualifications.

The minimum investment for an Investor in the Fund is US \$1,000,000. The minimum may be waived by PRMIM in its sole discretion.

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

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### ***Methods of Analysis & Investment Strategy***

The Fund’s primary investment objective will be to generate returns, while generating and re-investing current income through investing in a portfolio primarily consisting of real estate debt and other mortgage related assets (including equity, debt and synthetic assets and instruments), servicing rights, commercial and residential mortgage loans and mortgage backed securities (including risk retention securities), index instruments, financing and hedging instruments and derivatives, and other debt and loan instruments (each, an “Investment”). Without limiting the foregoing, the Fund may also hedge, purchase, originate, sell, securitize and service these assets.

PRMIM employs a two-step approach to investing which encompasses a top-down macroeconomic view combined with a bottom-up credit approach to investment selection.

With respect to Investments, the investment team employs an in-depth loan and property-level underwriting processes in conjunction with a top-down macroeconomic approach assessing property market and economic trends.

PRMIM utilizes various static and stochastic models to evaluate the duration and convexity exposure of its portfolio. PRMIM seeks to attain prudent levels of risk diversification by investing in multiple geographic regions and limiting its investments in any single property and in any single borrower or sponsor, and also limiting its investments in CMBS and RMBS. The Fund will not invest in securities or obligations of non-U.S. issuers or mortgages or other investments in or associated with property outside the United States. The Fund expects to enhance its returns through the utilization of financial and structural leverage, including traditional warehouse facilities and term securitizations. The Fund may invest in assets directly or indirectly, including through the origination or acquisition of debt and/or equity interests in partnerships, limited liability companies, corporations and other entities.

PRMIM has entered into a master mortgage loan purchase agreement with MBI. MBI will sell mezzanine loans, bridge loans and certain servicing assets to the Fund, and agreements that are designed to leverage MBI's servicing portfolio, servicing operations, organizational underwriting and market relationships. MBI has (a) sold and will in the future sell certain real estate-related assets to the Fund, (b) provided and will in the future provide loans to the Fund, and (c) performed and will in the future perform servicing to certain Fund assets, all pursuant to agreements with the Fund. MBIN has a minority interest investment in PRMIM. The Fund will partner with other investors to leverage their underwriting, servicing, customer networks, and marketing experience to source targeted assets. PRMIM engages independent third-party valuation firms to value certain hard to value assets, and other assets are valued internally. The independent auditing firm reviews asset valuations during the annual audit.

PRMIM maintains an investment committee ("Investment Committee") that is charged with reviewing investment activities, approving investments, monitoring and setting overall investment policies and reviewing the deal pipeline and performance of the Fund. The Investment Committee will govern the investment approval process. PRMIM's Investment Committee, in accordance with internally published underwriting guidelines and risk management policy, will approve each investment. The General Partner has also established a Board of Advisors to provide strategic advice to PRMIM and as an oversight governing body.

A portion of the Fund's capital may be used to form and fund one or more separate companies that will be in the business of originating and/or warehousing residential or commercial real estate mortgage loans and/or securitizing such loans and engaging in related activities and making related investment decisions, as part of the Fund's investment activities ( an "Origination Company"). To date, PRMIM has not formed an Origination Company.

The Fund has formed a wholly owned subsidiary, PRMI Capital Markets LLC, to act as a securitization sponsor ( **the "Sponsor"**). It is anticipated that the Sponsor will form one or more majority owned entities to hold any required risk retention securities.

The General Partner has also formed PRMI Securitization, LLC ("**Securitization Depositor**") which is in the business of facilitating the securitization of residential or commercial real estate mortgage-backed securities transactions. PRMI Securitization, LLC's overhead costs will be borne by such entity.



PRMIM's Principals own ArcLine Lending, LLC ("ArcLine"). ArcLine is an outsourced provider of front and back-office services to firms engaged in mortgage warehouse lending as well as related consulting services. ArcLine provided such services to PRMIM's minority owner's affiliate, MBI. PRMIM shares offices with ArcLine and utilizes ArcLine's pre-existing business infrastructure including telephones, payroll and benefits.

### ***Risk of Loss Factors***

PRMIM's investment strategy involves significant risks. A discussion of certain material risks is provided below. For a more complete list of expected risk factors, prospective Fund investors are urged to review the respective Fund's Offering Documents.

*General.* An investment in the Fund involves various risks, including the risk that an investor can lose some or all of its investment. There is no guarantee of successful performance, that the Fund's investment objective can be reached or that a positive return can be achieved. As a general rule, investors can expect that investments with higher return potential will also have higher potential of risk of loss to capital and/or income. In addition, the Fund's investments may fluctuate in market value from day to day and, therefore, the value of an investment in the Fund could go down as well as up. The Fund itself is not a balanced investment program for purposes of an investor's portfolio diversification needs and, therefore, investors should consult with their professional advisors regarding the appropriateness of an investment in the Fund for their overall investment program. The Fund may be deemed to be a speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the risk of a complete loss of their investment.

*Portfolio Management Risk.* Judgments made by PRMIM, the Fund, the Securitization Sponsor or the Origination Company about the attractiveness, value and potential appreciation of particular investments may prove to be incorrect and may not anticipate actual market movements or the impact of economic conditions generally. In fact, no matter how well PRMIM, the Fund, the Securitization Sponsor or the Origination Company evaluate market conditions, such investments may fail to produce the intended result, and investors could lose money on their investments.

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

*Risk Management Investment Rate Risk.* The Fund has risk management limits and reporting. The Fund utilizes various static and stochastic models to evaluate the duration and convexity exposure of its portfolio. The Fund considers its exposure to up and down rate shocks as well as non-parallel yield curve shifts. The Fund enters into investment and hedging transactions to mitigate these inherent risks within prudent limits as set forth in the Fund's risk management policy. The Fund manages its credit concentration limits through prudent loan size, counterparty, issue and geographic concentration limits.

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

*Subordination of Investments.* A portion of the investments will be in subordinated loans, including junior notes and structurally subordinated mezzanine loans, preferred equity interests in a direct or indirect property-owning entity and other subordinated real estate debt-like instruments. These investments will be subordinated to the senior obligations of the property or issuer, either contractually, inherently due to the nature of equity securities, or both. Greater credit risks may be attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. Adverse changes in the borrower's financial condition and/or in general economic conditions may impair the ability of the borrower to make payments on the subordinated securities and could cause them to default more quickly with respect to such securities than with respect to the borrower's senior obligations. In some cases, the Fund's management of its investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the more senior lenders and contractual inter-creditor provisions. However, PRMIM intends to structure investments in a manner that will mitigate risks associated with the subordination of investments.

*Originations and Secondary Market Acquisitions.* The Fund's investment strategy may include both originating investments and acquiring investments in the secondary market. The Fund success hinges on its ability to successfully pursue both of these strategies, although market and other forces may from time-to-time cause PRMIM to pursue one versus the other more vigorously.

*Use of Leverage.* The Fund expects to borrow money or otherwise utilize substantial leverage for investment purposes. The Fund's successful execution of its investment strategy will depend on its ability to obtain desired leverage on appropriate terms. There is no guarantee that the Fund will be able to obtain the amount of leverage desired on favorable terms or at all. Any failure to obtain desired leverage may substantially reduce the Fund's returns to Investors. Although the Fund will initially have revolving loans and participation facilities with MBI, the renewal of those facilities or the Fund's ability to obtain any additional financing cannot be assured based on various factors, such as financial market conditions and the Fund's financial and investment performance.

Leverage will magnify the volatility of the Fund's investment portfolio and involves substantial risks. The use of leverage will increase investment returns if the leveraged portfolio investment earns a greater return than the Fund pays for the use of borrowed funds. The use of leverage will also amplify any losses experienced by the Fund if the cost of investments, including the cost of the leverage, ultimately exceeds the realizable value of the investments. The extent to which the Fund uses leverage may have important consequences to the Investors, including, but not limited to, the following: (i) greater fluctuations in the net assets of the Fund, (ii) use of cash flow for debt service, rather than for additional investments, distributions, or other purposes, (iii) to the extent that Fund revenues are required to meet principal payments, the Investors

may be allocated income (and therefore tax liability) in excess of cash available by distribution, (iv) to the extent that the Fund's revenues are insufficient to service its debt obligations, Investors may be required to contribute capital to service such debt obligations and (v) in certain circumstances, the Fund may be required to prematurely harvest investments to service its debt obligations. Although PRMIM intends to maintain sufficient liquidity at all times, there can also be no assurance that the Fund will be able to meet its debt service obligations. As a result, the Fund's exposure to losses may be increased due to the illiquidity of its investments generally. Covenants and financial tests set forth in the agreements governing such leverage may limit the ability of the Fund to make new investments or distribute its cash to investors. Such covenants or financial tests may be based on the market value of the leveraged assets, which may fluctuate and, therefore, at any time, the Fund may not be able to satisfy requirements of covenants or financial tests.

*Risk Management.* The Fund's methods of seeking to minimize investment strategy and market risks may not accurately address future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted. In certain situations, the Fund may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances or business judgments, and even if risk management strategies are utilized, such strategies cannot fully insulate the Fund from the risks inherent in its planned activities. No risk management system is fail-safe.

*Structured Notes and Indexed Securities.* Structured notes are derivative debt securities, the interest rate or principal of which is determined by an unrelated indicator. Indexed securities include structured notes as well as securities other than debt securities, the interest rate or principal of which is determined by an unrelated indicator. Indexed securities may include a multiplier that multiplies the indexed element by a specified factor and, therefore, the value of such securities may be very volatile. The terms of the structured and indexed securities may provide that in certain circumstances no principal is due at maturity and therefore, may result in a loss of invested capital. Structured and indexed securities may be positively or negatively indexed, so that appreciation of the reference may produce an increase or a decrease in the interest rate or the value of the structured or indexed security at maturity may be calculated as a specified multiple of the change in the value of the reference; therefore, the value of such security may be very volatile. Structured and indexed securities may entail a greater degree of market risk than other types of debt securities because the investor bears the risk of the reference. Structured or indexed securities may also be more volatile, less liquid, and more difficult to accurately price than less complex securities or more traditional debt securities. Structured securities also may involve significant credit risk and risk of default by the counterparty.

*Subordinated Loans; Mezzanine Loans.* The Fund may make or invest in subordinated debt instruments, for example, in mezzanine loans that take the form of subordinated loans secured by second mortgages on underlying real property or loans secured by a pledge of ownership interests of an entity owning real property or an entity that owns the interest in an entity owning real property. These types of investments involve a higher degree of risk than senior loans, for example, first-lien mortgage loans secured by income producing real property, because the investment may become unsecured as a result of foreclosure by the senior lender.

The Fund's investments in any subordinate loans will entail risks, including (a) the subordination of the Fund's claims to a senior lien in terms of the coverage and recovery of the collateral and (b) the prohibition of or limitation on the right to foreclose on a subordinate lien or exercise other rights as a second-lien holder.

*Illiquidity of Investments.* The investments to be made by the Fund are likely to be illiquid, thinly traded or may be subject to restrictions on resale because they are not registered under the Securities Act or are subject to contractual restrictions on transfer. The Fund generally will not be able to sell its investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In such cases, the primary resale opportunities for such loans are privately negotiated transactions with a limited number of purchasers. This may restrict the ability of the Fund to dispose of investments in a timely fashion and at a favorable price. In some cases, the Fund may be prohibited by contract or Risk Retention Rules from selling investments for a period of time.

*Reliance on the Manager and Key Personnel.* The success of the Fund depends in substantial part upon the skill and expertise of the principal owners of the PRMIM to source, select, underwrite, manage and finance investments for the Fund. Loss of all or some of the key personnel could negatively impact an investment in the Fund.

*Allocation of Personnel.* The principals and other personnel of PRMIM will allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the Fund effectively. Such personnel will work on other projects; conflicts may, therefore, arise in the allocation of certain personnel and other resources.

*Affiliation with Merchants Bancorp.* Merchants Bancorp, a minority owner of PRMIM, and/or its affiliates may also perform services for other clients and real estate investment funds (e.g., pension and profit-sharing trusts, corporations and partnerships) similar to the services to be performed for the Fund and may serve similar roles with respect to these other clients and real estate investment funds. MBI and its affiliates may also invest in real estate for their own accounts or for the accounts of their clients, including investing in other real estate investment funds (and such affiliates and other clients may have investment objectives and policies in competition with the Fund).

*Risk Relating to Due Diligence.* Before the Fund makes an investment, PRMIM or the Fund will conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail customer credit reviews, individual loan reviews that consider underwriting, borrower creditworthiness, compliance with underwriting, marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting, and legal issues as well as background investigations of individuals. Outside professionals, consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The involvement of such third parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third-party expenses, which will be borne by the Fund subject to certain limitations thereon set forth in the Fund Agreement. In addition, if the Fund is unable to timely engage third-party providers, its ability to evaluate and acquire more complex assets could be adversely affected. Due diligence investigations with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, there can be no assurance that attempts to identify risks associated with an investment will achieve their desired effect. Potential investors should regard an

investment in the Fund as being speculative and having a high degree of risk. In the event of fraud, any material misrepresentation or omission or any professional negligence by any seller of assets or such seller's representatives, or by any other party, the Fund may suffer a material loss of capital and the value of the Fund's investments may be adversely impacted. The Fund will rely upon the accuracy and completeness of representations made by various persons in the due diligence process and cannot guarantee such accuracy or completeness.

*Co-Investment Opportunities.* The Fund may co-invest in one or more investments with one or more strategic investors, lenders, Limited Partners (or affiliates thereof) and/or other third parties ("Co-Investors") through joint ventures or other entities, through the acquisition of the same or different real property rights and interests, through the acquisition of other rights and interests unrelated to real property or in a variety of other circumstances, including participation agreements. Co-investments will be subject to typical risks in connection with third-party involvement and joint ventures described above. In addition, Co-Investors in certain cases may have different or superior rights or interests to those of the Fund and its Limited Partners, and may invest in different assets, different tranches of securities or loans or different parts of a capital structure. In such circumstances, the size of the investment opportunity otherwise available to the Fund may be less than it would be otherwise. Co-Investors may purchase their interest in an investment at the same time as the Fund or may purchase their interest from the Fund or from another party after the Fund has consummated its investment. Co-Investors may also sell an interest to the Fund. The Fund may hold the same or different interests from Co-Investors and may participate on the same or different terms than Co-Investors. The terms on which the Fund invests may include economic or other terms that prove to be less advantageous or provide investment results that are less profitable for the Fund than the terms or results enjoyed by the Co-Investors. This may have an adverse impact on the Fund. If a co-investment entity or vehicle is formed and a co-investment is successfully consummated, such entity or vehicle generally will bear expenses related to its formation and operation, although, from time to time, the Fund may bear some or all such costs directly or indirectly. The Fund may also bear costs of unconsummated co-investment.

*Material Non-Public Information.* PRMIM may from time to time come into possession of material non-public information concerning specific issuers. Under applicable securities laws, this may limit PRMIM's flexibility to buy or sell securities issued by such issuers on behalf of the Fund or otherwise use such information for the benefit of the Fund. PRMIM may decline to pursue certain investment opportunities or exit strategies on behalf of the Fund in order to avoid being in possession of material non-public information in respect of an issuer where such possession would limit PRMI's ability to trade in other securities of such issuer. Alternatively, PRMIM may decline to receive material nonpublic information in order to avoid trading restrictions, even though access to such information might have been advantageous and other market participants are in possession of such information.

*Risk Retention Rules.* The Risk Retention Rules require that the holder of the retention interest for any securitization and any affiliate thereof hold such retention interests without transferring or hedging the credit risk represented by such retention interests, directly or indirectly, for a significant period of time. Accordingly, the Fund and its affiliates may be unable to engage in strategies designed to mitigate losses on such investments. Such restrictions may also continue to apply even after the Fund and its affiliates are removed or resign as collateral managers or otherwise in the underlying securitizations. In addition, certain direct or indirect transfers of interests in the Fund or its affiliates might result in making one or more of such persons unable to hold the retention interests for the applicable securitizations. These and similar transfer

restrictions may materially and adversely affect the financial performance of the Fund and the value of the interests.

*Cyber-Security Threats.* Cyber-security threats could result in disruption of operations, loss of assets, or damage to the Fund's reputation. The Fund and the Manager and their respective service providers rely on information technology systems for current and planned operations, including to facilitate their abilities to monitor and control their respective operations and adjust to changing market conditions. The Fund and the Manager and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviours, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release or use of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Manager, the Fund or third-party service providers may adversely impact the Fund's investors. The Fund may also incur substantial costs for cyber security risk management in order to prevent any cyber incidents in the future. The Fund and the investors could be negatively impacted as a result.

*Disease, Pandemics and Epidemics.* The impact of disease, pandemics and epidemics may have a material adverse effect on the performance of the Fund and its investments. In particular, in December 2019, a novel strain of coronavirus surfaced in Wuhan, China. While the effects of the spread of this coronavirus are expected to be temporary, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time and the Fund could be materially and adversely impacted by the effects. In addition, the Fund's investment performance could be adversely affected to the extent that this coronavirus or any other epidemic harms the global and/or U.S. economy in general. The extent to which the coronavirus impacts the Fund's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

*Natural Disasters, Terrorist Acts and Similar Dislocations.* Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, terrorism, riot or civil unrest, the impacted country or region may not efficiently and quickly recover from such event, which can have a material adverse effect on investments, economic enterprises and countries or regions. These events may have a negative effect on the business and performance results of one or more of acquired or subsequently acquired investments, including by raising insurance premiums and deductibles and limiting available insurance coverage for the properties. In addition, such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Fund's investments.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, supply-chain disruptions, economic sanctions, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of the Fund. Economic, political and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause volatility, illiquidity or other potentially adverse effects in the financial markets. Economic or political turmoil, a deterioration of diplomatic relations or a natural or man-made disaster in a region or country where PRMIM's Fund assets are invested may result in adverse consequences to such clients' portfolios. None of these conditions is or will be within



the control of PRMIM, and no assurances can be given that PRMIM will anticipate these developments.

Please refer to the Offering Documents for a description of additional risks associated with an investment in the Fund.

### **Item 9 - Disciplinary Information**

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PRMIM is required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective investor or current Investor's evaluation of our business or the integrity of PRMIM. PRMIM has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of PRMIM have been subject to such action.

### **Item 10 - Other Financial Industry Activities and Affiliations**

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PRMIM has entered into a correspondent agreement with Merchants Bank of Indiana a subsidiary of Merchants Bancorp whereby MBI will sell mezzanine loans, bridge loans and certain servicing assets to the Fund, and agreements that are designed to leverage MBI's servicing portfolio, servicing operations, organizational underwriting and market relationships. MBI has (a) sold and will in the future sell certain real estate-related assets to the Fund, (b) provided and will in the future provide loans to the Fund, and (c) performed and will in the future perform servicing to certain Fund assets, all pursuant to agreements with the Fund. MBIN has a minority interest investment in PRMIM. The Fund will partner with other investors to leverage their underwriting, servicing, customer networks, and marketing experience to source targeted assets.

PRMIM's members and principal owners collectively own ArcLine Lending, LLC ("ArcLine"), a closely held management and consulting firm. ArcLine provides certain back office and consulting services for PRMIM, including paying the payroll and benefits at its third-party cost with no profit margin. ArcLine has a consulting agreement with MBI pursuant to a Warehouse Services Agreement to provide warehouse services, including but not limited to all activities reasonably necessary to evaluate the credit of prospective and renewal warehouse customers and loan products to MBI as MBI may request. MBI compensates ArcLine for certain employee compensation and benefits, in addition to a monthly retainer. Barry Bier and Sanford Blitzer's are currently compensated through their ownership in ArcLine. It is anticipated that their compensation will begin being paid through PRMIM and reimbursed by the Fund in the second quarter of 2022.

The Fund will partner with other investors to leverage their underwriting, servicing, customer networks, and marketing experience to source targeted assets.

PRMIM maintains an Investment Committee that is charged with approving investments. The Investment Committee will govern the investment approval process. PRMIM's Investment Committee, in accordance with internally published underwriting guidelines and risk management policy, will approve each investment.

**Item 11 - Code of Ethics, Participation/Interest in Client Transactions, and Personal Trading**

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***Code of Ethics Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”)***

PRMIM has adopted a Code of Ethics (the “Code”), which is designed to ensure that the Firm and its employees conduct business in accordance with all applicable laws and regulations and in an ethical and professional manner. All employees of PRMIM will assume a duty of loyalty, fairness and good faith towards the Fund, which includes an obligation to adhere not only to the specific provisions, but to the general principles that guide the Code. The Code will be adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of PRMIM employees’ trading activity. PRMIM will provide a copy of the Code of Ethics to any current or prospective client upon request.

***Personal Trading***

Pursuant to Rule 204A-1 under the Advisers Act, PRMIM has adopted a Personal Trading Policy within the Code. The Personal Trading Policy imposes certain restrictions on the personal securities trading of employees and any family member living in the same household or to whom employees provide primary financial support. Such restrictions include obtaining pre-approval for certain trades or private transactions and reporting certain trading activities and securities holdings on an initial and annual basis thereafter.

In order to abide by the Personal Trading Policy, all employees will be required to obtain pre-clearance from the Chief Compliance Officer (“CCO”) prior to executing certain trades and participating in certain investments, so that a determination may be made as to whether or not the transaction could pose a conflict to the Fund. Additionally, employees will direct duplicate copies of brokerage statements to the CCO, to assist in monitoring compliance with PRMIM’s Personal Trading Policy.

**Item 12 - Brokerage Practices**

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PRMIM has discretionary authority to determine the broker or dealer to be used for each securities transaction for the Fund. In selecting brokers or dealers to execute transactions, PRMIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not PRMIM’s practice to negotiate “execution only” commission rates, thus the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. **PRMIM currently does not use “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e), however may consider such soft dollar arrangements in the future.** Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services



(including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the U.S. Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In selecting brokers and negotiating commission rates, PRMIM will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers.

The Fund will maintain an account with the Prime Brokers, through which PRMIM may execute trades, borrow securities and maintain custody of its securities.

### **Item 13 - Review of Accounts**

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#### ***Review of Accounts***

The Fund's investments are reviewed on an ongoing basis by PRMIM's investment professionals to assure conformity with the investment objectives and guidelines set forth in the Offering Documents. This includes regularly monitoring of the underlying collateral performance to assess potential risks, forecasting and measuring financial and operating results, monitoring certain trigger events (such as renovations and improvements), performing collateral analyses and property market review, anticipating and solving problems, and acting proactively and tactically when required in order to maximize returns or mitigate risks.

#### ***Reporting***

Each limited partner will receive annual audited financial statements for the Fund, within 120 days after the end of each fiscal year, as well as periodic performance reports.

The valuation of the Fund's investments is reviewed and reported to investors via the quarterly unaudited financial statements distributed to investors, pursuant to the respective Fund's Offering Documents. PRMIM uses independent third-party valuation firms to value certain hard to value assets, other assets are valued internally by PRMIM. Valuations are also reviewed by the independent auditing firms annually as part of the annual audit.

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

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Although PRMIM does not currently have and does not currently intend to have any third-party placement agents, PRMIM in the future may agree to pay third-party placement agents that refer investors to a Fund. The compensation typically paid to those placement agents includes a portion of the fixed fee and/or Performance Allocation earned by PRMIM in respect of investors referred to by such placement agents. Investors are generally not subject to any incremental fees in connection with the referral unless incremental fees are payable by the

investor directly to the placement agent under the terms of the separate agreement between the investor and the placement agent (to which PRMIM is not a party).

The referral arrangements described above involve potential conflicts of interest because the placement agent may have an incentive to favor sales of interests in a Fund over sales of other investment products for which the agent will receive no or lower fees. Prospective and existing investors should consider this potential conflict of interest when evaluating any recommendation or referral by an agent regarding an investment in a Fund.

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**Item 15 - Custody**

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PRMIM will comply with the requirements of the Rule 206(4)-2 of the Advisers Act (“**Custody Rule**”) with regards to PRMIM’s custody of the Fund assets. PRMIM has the authority to wire cash and/or pay expenses from the Fund and is deemed to have custody of the Fund’s assets. The Fund is subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed within 120 days of the Funds’ fiscal year end.

The Fund’s previous auditor, Richey May & Co., provided notice to PRMIM in July 2021 that they terminated the auditing of private funds with niche strategies such as PRMIM’s. PRMIM subsequently retained Baker Tilly US, LLP (“Baker Tilly”) to conduct a financial audit of the Fund. Baker Tilly is a PCOAB registered independent auditing firm.

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**Item 16 - Investment Discretion**

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PRMIM is responsible for providing day-to-day managerial and administrative services to the Fund and will have full discretion, through the execution of the operating agreement with the Fund, to make, evaluate and monitor Fund investments in a manner consistent with the investment objective and strategy described in the Offering Documents.

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**Item 17 - Voting Client Securities**

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Due to the nature of PRMIMs business, we generally do not vote proxies. However, if there was a situation to vote a proxy PRMIM would evaluate the request and vote in the best interest of the Client. PRMIM will maintain a written record of any proxy votes.

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**Item 18 - Financial Information**

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Registered investment advisers are required in this section to provide certain financial information or disclosures about PRMIM’s financial condition. PRMIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Fund or investors and has not been the subject of a bankruptcy proceeding.