Risk Factors Comparison 2024-02-20 to 2023-02-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Set forth below are some (but not all) of the risk factors that could adversely affect our business, financial condition, liquidity, results of operations and prospects and our ability to service our debt and pay dividends to our stockholders (which we refer to collectively as “ materially and adversely affecting us ” or having “ a material adverse effect on us, ” and comparable phrases) and the market price of our common stock. **Although the various risks discussed in this Item are generally described separately, you should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to our investors may be significantly increased.** Some statements in this report, including statements in the following risk factors, constitute forward- looking statements. Please refer to the section entitled “ Forward- Looking Statements. ” Risks Related to Our Investments Loans on properties in transition often involve a greater risk of loss than loans on stabilized properties, including the risk of cost overruns on and noncompletion of the construction or renovation of or other capital improvements to the properties underlying the loans we originate or acquire, and the risk that a borrower may fail to execute the business plan underwritten by us, potentially making it unable to refinance our loan at maturity, each of which could materially and adversely affect us. We originate and acquire loans on transitional CRE properties to borrowers who are typically seeking capital for repositioning, renovation, rehabilitation, leasing, development, redevelopment or construction. The typical borrower under a loan on a transitional asset has usually identified an undervalued asset that has been under- managed and / or is located in an improving market. If the market in which the asset is located fails to materialize according to the borrower’ s projections, or if the borrower fails to improve the quality of the asset’ s management and / or the value of the asset, or if it costs the borrower more than estimated or takes longer to execute its business plan than estimated, including as a result of supply chain disruptions, the borrower may not receive a sufficient return on the asset to satisfy our loan or may experience a prolonged reduction of net operating income and may not be able to make payments on our loan on a timely basis or at all, which could materially and adversely affect us. Other risks may include: environmental risks, delays in legal and other approvals (e. g., certificates of occupancy), other construction and renovation risks and subsequent leasing of the property not being completed on schedule. Accordingly, we bear the risk that we may not recover some or all of our loan unpaid principal balance and interest thereon. Furthermore, borrowers usually use the proceeds of permanent financing to repay a loan on a transitional property after the CRE property is stabilized. Loans on transitional CRE properties are therefore subject to risks of a borrower’ s inability to obtain permanent financing to repay our loan **, which is exacerbated in times of capital markets volatility** . Our loans are also subject to risks of borrower defaults, bankruptcies, fraud and losses. In the event of any default under our loans, we bear the risk of loss of principal and non- payment of interest and fees to the extent of any deficiency between the value of the underlying asset and the principal amount and unpaid interest and fees of our loan. To the extent we suffer losses with respect to our loans, it could have a material adverse effect on us. Difficult conditions in the commercial mortgage and real estate market, the capital markets and the economy generally, as a result of ~~rising~~ **recent and drastic increases in** interest rates, ~~general~~ **recent** inflationary pressures and other factors, could make it difficult for our borrowers to satisfy their repayment obligations and may materially and adversely affect us. We could be materially and adversely affected by conditions in the commercial mortgage and real estate markets, the capital markets and the economy generally. A deterioration of economic and real estate fundamentals generally and of local market conditions where our real estate collateral is located, have in the past negatively impacted, and could continue to negatively impact, our performance, the business prospects of our borrowers or the value of our real estate collateral. Market fluctuations or a general decline in real estate values or business prospects may also induce borrowers to voluntarily or involuntarily default on their loans and make it relatively more difficult for us to generate attractive risk- adjusted returns. Other factors beyond our control, such as changes in interest rates **,** government regulations (such as rent control **, zoning laws, and bank reserve requirements**), changes in real property tax rates and operating expenses, changes in the general availability of debt financing (which may render the sale or refinancing of properties difficult or impracticable) may likewise have a material and adverse effect on our business. In particular, ~~rising~~ **a protracted period of high** interest rates could cause our borrowers to become unwilling or unable to make payments on their loans, increasing default risk and making it more difficult for us to generate attractive risk- adjusted returns. **Similarly, continuing uncertainty in the office leasing market as a result of the increase in remote working arrangements could adversely affect the business of our borrowers with office properties, which could in turn cause such borrowers to become unwilling or unable to make payments on their loans, increasing default risk and making it more difficult for us to generate attractive risk- adjusted returns.** Because our investments are susceptible to general economic slowdowns or recessions, these kinds of changes in market conditions could lead to financial losses in our investments and a decrease in revenues, net income and assets. We may realize losses related to foreclosures or to the restructuring of the loans in our investment portfolio on terms that may be more favorable to borrowers than those underwritten at origination. Unfavorable economic conditions also could increase our funding costs **, impede our ability to maintain accretive financings** , limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results. In addition, ~~rising~~ **protracted periods of high** interest rates generally reduce the economic feasibility of and therefore the demand for transitional CRE loans due to the higher cost of borrowing. A reduction in the volume of CRE loans originated may affect the volume of certain target assets available to us, which could adversely affect our ability to acquire target assets that satisfy our investment objectives. If ~~rising~~ **high** interest rates cause us to be unable to originate or acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives to generate income and pay dividends may be materially and adversely affected. We cannot predict the degree to which economic conditions generally, and the conditions for real estate debt investing in particular, will improve or decline. Any stagnation in or deterioration of the commercial mortgage or real estate markets may limit our ability to acquire our target assets on attractive terms or cause us to experience losses related to our assets, which could materially and adversely affect us. We operate in a competitive market for the origination and acquisition of attractive investment opportunities and competition may limit our ability to originate or acquire attractive risk- adjusted investments in our target assets, which could have a material adverse effect on us. We operate in a competitive market for the origination and acquisition of attractive risk- adjusted investment opportunities. A number of entities compete with us to make the types of investments that we originate or acquire. Our success depends, in large part, on our ability to originate or acquire our target assets on attractive terms. In originating our target assets, we compete with a variety of institutional lenders and investors, including other commercial mortgage REITs, specialty finance companies, public and private funds (including funds that our Manager or its affiliates may in the future sponsor, advise and / or manage), commercial and investment banks, commercial finance and insurance companies and other financial institutions. A number of entities have raised, or are expected to raise, significant amounts of capital pursuing strategies similar to ours, which may create additional competition for investment opportunities. Many of our competitors are significantly larger than we are and have considerably greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to financing sources that are not available to us. Many of our competitors are not subject to the operating constraints associated with REITs or maintenance of our exclusion from registration under the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, deploy more aggressive pricing or financing strategies and establish more relationships than us. Increased competition in our markets could result in a decrease in origination volumes, which would adversely affect our business, financial condition, liquidity, results of operations and prospects. Furthermore, competition for investments in our target assets may lead to the price of these assets increasing or return on investment declining, which may further limit our ability to generate desired returns. Also, as a result of this competition, desirable investments in our target assets may be limited in the future, and we may not be able to take advantage of attractive risk- adjusted investment opportunities from time to time. In addition, reduced CRE transaction volume could increase competition for available investment opportunities. We can provide no assurance that we will be able to continue to identify and make investments that are consistent with our investment objectives, or that the competitive pressures we face will not have a material adverse effect on us. Furthermore, changes in the financial regulatory regime could ~~decrease~~ **change** the current restrictions on banks and other financial institutions ~~and~~ **, which may** allow them to compete for opportunities that were previously not available to them, or subject **them** to significant capital requirements **or other restrictions** . See " — Risks Related to Our Company — Changes in laws or regulations governing our operations or those of our competitors, **banks or other of our capital providers,** or changes in the interpretation thereof, or newly enacted laws or regulations, could result in increased competition for our target assets **or reduced access to capital** , require changes to our business practices and collectively could adversely impact our revenues and impose additional costs on us, which could materially and adversely affect us. " Our investments are and may be concentrated in certain markets, property types and borrowers, among other factors, and will be subject to risk of default. While we intend to diversify our loan portfolio of investments in the manner described in this report, we are not required to observe specific diversification criteria, and we have criteria outlined in our investment guidelines that can only be changed with approval of our Board. Therefore, our portfolio of target assets is and may be concentrated in certain property types that are subject to higher risk of achieving their stated business plans or other concentration risk, or supported by properties concentrated in a limited number of geographic locations. For example, as of December 31, ~~2022~~ **2023** , our real estate owned ~~investment~~ consisted of seven limited service hotel properties **and one mixed- use property** in New York, **NY** ~~New York~~ and ~~23~~ **22** % of our loans are secured by CRE assets (or equity interests relating thereto) located in the New York metropolitan area. Further, as of December 31, ~~2022~~ **2023** , 41 % of our loan investments were secured by multi- family properties (or equity interests relating thereto), ~~20~~ **19** % of our loan investments were secured by hospitality properties (or equity interests relating thereto), ~~15~~ **14** % of our loan investments were secured by office properties (or equity interests relating thereto), ~~6~~ **3** % of our loan investments were secured by for sale ~~condominium~~ **condo** properties (or equity interests relating thereto), ~~8~~ **9** % of our loan investments were secured by mixed- use properties (or equity interests relating thereto), ~~6~~ **7** % of our loan investments were secured by land properties (or equity interests relating thereto), ~~31~~ **17** % of our loan investments were construction loans (based on loan commitment), and our 15 largest loan investments represented ~~45~~ **47** % of our loan portfolio, in each case based on carrying value. As of December 31, ~~2022~~ **2023** , ~~4~~ **8** investments with a carrying value **prior to any specific CECL reserves** of $ ~~357~~ **715. 1 million, or 10** . 3 ~~million, or 4. 8~~ % of our portfolio were on non- accrual status. **See Note 3- Loan Portfolio for further detail on our loans on non- accrual status.** The lack of liquidity in certain of the assets in our portfolio and our target assets generally may materially and adversely affect us. The assets in our portfolio are relatively illiquid investments due to their **relatively** short ~~life~~ **expected lives** , lack of (or limited) cash flow from property that is collateral for those loans, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower' s default. In addition, certain of our investments may become less liquid after our investment as a result of periods of delinquencies or defaults or turbulent market conditions. For example, there is an inverse relationship between credit spreads and the value of our existing assets such that widening in credit spreads diminishes the value of existing assets. The illiquidity of the assets in our portfolio and our target assets may make it more difficult for us to dispose of these assets in the event that we no longer intend to hold them until maturity or in the event of a defaulted loan, as the case may be, at advantageous times **or prices,** or in a timely manner. As a result, we expect many of our investments will be illiquid. If we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than an asset' s carrying value. As a result, our ability to strengthen our portfolio composition in response to changes in economic and other conditions may be relatively limited, which could materially and adversely affect us. In the event of borrower distress or a default, we may lack the liquidity necessary to protect our investment or avoid a corresponding default on any obligations we may have **related to** ~~in connection with~~ our own financing. In the event of borrower distress or a default, we may lack the liquidity necessary to protect our investment or avoid a corresponding default on any obligations we may have ~~in connection~~ with **respect to** our own financing specifically related to, or otherwise impacted by, such investment. In the event of a default by a borrower on a non- recourse loan, we generally will have recourse only to the underlying asset (including any escrowed funds and reserves) collateralizing that loan, except to the extent of any creditworthy guarantees as discussed in " — Risks Related to Our Investments — Most of the CRE loans that we originate or acquire are non- recourse loans and the assets securing these loans may not be sufficient to protect us from a partial or complete loss if the borrower defaults on the loan, which could materially and adversely affect us. " In addition, declines in real estate values may induce mortgagors to voluntarily default on their loans, increasing the risk of foreclosure and loss of capital. If the underlying property collateralizing the loan is insufficient to satisfy the outstanding balance of such loan, after expenses incurred in connection with enforcing our rights, we may suffer a loss of principal or interest that adversely affects our liquidity and our ability to service or repay our own leverage. Real estate investments generally lack liquidity compared to other financial assets, and the increased lack of liquidity resulting from a borrower distress or a default may limit our ability to quickly stabilize or strengthen our portfolio or take other necessary actions to avoid a corresponding default on our financing. **In certain instances, we may be required to de- lever our financing specifically related to, or otherwise impacted by, such defaulted loan, modify our financing facility or find replacement financing, if available, which could be on less favorable terms, or pledge additional collateral to our financing facility, all of which could materially and adversely affect us.** We may be unable to **maintain or** refinance debt incurred to finance our loans **and our operations** , thereby increasing the amount of equity capital risk we bear with respect to particular loans or preventing us from deploying our equity capital in the optimal manner. We may be unable to **maintain or** refinance ~~our investments in~~ **debt incurred to finance** our loans **and our operations** , thereby increasing the amount of equity capital risk we bear with respect to particular loans or preventing us from deploying our equity capital in the optimal manner. If we are unable to **maintain or** refinance such debt at appropriate times, we may be required to sell assets at a loss or on terms that are not advantageous to us or take action that could result in other negative consequences. We may only be able to partly **replace or** refinance such debt if underwriting standards, including loan- to- value ratios and yield requirements, among other requirements, are stricter than when we originally financed our loans. Additionally, as a result of economic headwinds, certain of our borrowers may request term extensions, and we may not be able to **maintain or** obtain corresponding match- term financing or in certain cases obtain required approvals from our financing counterparties. Obtaining such approvals has required in the past and may require in the future reduction of advance rates on ~~financing~~ **financings** , increased borrowing costs **, increasing recourse** or a combination thereof, which could have an adverse impact on our returns on equity and reduce our liquidity. If any of these events occur, our cash flows would be reduced, preventing us from deploying our equity capital in an optimal manner. If we are unable to refinance debt incurred to finance our loans **and our operations** , we also may have to forego other investment opportunities that require equity and our liquidity may be diminished. As a result of our real estate owned ~~investment~~ **investments** , we are subject to the risks commonly associated with real estate owned holdings, including risks related to ownership of **a** hotel **portfolio and a mixed- use** ~~properties~~ **property** in New York, **NY** ~~New York~~ , which differ from the risks associated with lending. Borrowers under our loans may not have sufficient financial resources to satisfy their payment obligations to us, and we could be required to take ownership of the assets underlying a particular loan in lieu of full repayment of the principal amount and accrued interest on the loan. For example, in February 2021, we foreclosed on a portfolio of seven limited service ~~hotel~~ **hotels** ~~properties~~ located in New York, ~~New York that secured~~ **NY. Prior to the foreclosure, the hotel portfolio represented the collateral for** a mezzanine loan **held by us** with **an** ~~a then~~ unpaid principal balance of $ 103. 9 million **and** ~~. Our real estate owned investment at the time of foreclosure was encumbered by~~ a securitized senior mortgage ~~, which certain subsidiaries assumed on February 8, 2021~~ with ~~a~~ **an unpaid** principal balance of $ 300. 0 million **held by third parties** . As such, we are subject to the risks commonly associated with real estate owned holdings, including risks related to ownership of **a** hotel **portfolio and mixed- use** ~~properties~~ **property both located** in New York, **NY** ~~New York~~ , which include changes in general or local economic conditions, changes in supply of or demand for similar or competing properties in an area, changes in interest rates and availability and terms of permanent mortgage financing that may render the sale of a property difficult or unattractive, political instability or changes in prevailing policies, decreases in property values, changes in tax, real estate, environmental and zoning laws and the risk of uninsured or underinsured casualty loss. Further, our equity interest in our current, or any future, real estate owned investment is subordinate to any indebtedness secured by such property. To the extent that we decide or are required to take ownership of one or more additional properties, these risks will be heightened. Real estate owned investments are illiquid investments and we may be unable to adjust our portfolio in response to changes in economic or other conditions. In addition, the real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any real estate owned investment for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a real estate owned investment. We may acquire properties that are subject to contractual " lock- out " provisions that could restrict our ability to dispose of the real estate owned investment for a period of time. In addition, U. S. federal tax laws that impose a 100 % excise tax on gains from sales of dealer property by a REIT (generally, property held **-** for **-** sale, rather than investment) could limit our ability to sell properties and may affect our ability to sell properties without adversely affecting returns to our stockholders. These characteristics and restrictions could result in losses that would adversely affect our results of operations, liquidity and financial condition, potentially materially. We may also be required to expend funds to correct defects or to make improvements before a real estate owned investment can be sold. We have experienced and expect to continue to experience increased operating costs and taxes in connection with our real estate owned investment, including costs related to owning ~~the~~ **a** real estate owned investment in a taxable REIT subsidiary (“ TRS ”). If the real estate owned investment is owned by our TRS, income from the investment generally will be subject to corporate income tax. We cannot assure stockholders that we will have funds available to correct such defects, to make such improvements or to pay these operating costs. In acquiring a real estate owned investment, we may agree or otherwise become subject to restrictions that prohibit the sale of that real estate owned investment for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that real estate owned investment. These risks vary from the risks associated with lending and could materially and adversely affect us. We generally determine the LTV for a loan in our portfolio prior to, or at the time of, our origination or acquisition of the loan and such LTVs may change significantly and in an adverse manner thereafter due to various circumstances. We calculate the LTV for a loan in our portfolio as our total loan commitment from time to time, as if fully funded, plus any financings that are pari passu with or senior to our loan, divided by our estimate of either (1) the value of the underlying real estate, determined in accordance with our underwriting process (typically consistent with, if not less than, the value set forth in a third- party appraisal) or (2) the borrower’ s projected, fully funded cost basis in the asset, in each case as we deem appropriate for the relevant loan and other loans with similar characteristics. Underwritten values and projected costs should not be assumed to reflect our judgment of current market values or project costs, which may have changed materially since the date of origination. LTV is updated only in connection with a partial loan paydown and / or release of collateral, material changes to expected project costs, the receipt of a new appraisal (typically in connection with financing or refinancing activity) or a change in our loan commitment. Because the LTV is determined as of the date of origination, the LTVs for our loans generally do not take into account post- origination changes in our borrowers’ business operations or creditworthiness, or in the value of our underlying real estate collateral, as a result of changing economic conditions or otherwise. Accordingly, there can be no assurance that the LTV of our portfolio that we present in this report (i. e., our portfolio weighted average LTV of ~~68~~ **69** . 2 % as of December 31, ~~2022~~ **2023**) is reflective of current LTV of our portfolio or the amount of subordinate value available in the event we foreclose on a loan. There are increased risks involved with construction lending activities. We intend to continue to originate and acquire loans which fund the construction of commercial properties. Construction lending generally is considered to involve a higher degree of risk than other types of lending due to a variety of factors, including the difficulties in estimating construction costs and anticipating construction delays and, generally, the dependency on timely, successful project completion and the lease- up or sale of units and commencement of operations post-completion of construction. In addition, since these loans generally entail greater risk than mortgage loans on income- producing property, we may need to establish or increase our current expected credit loss reserve in the future to account for the potential increase in probable incurred credit losses associated with these loans. Further, as the lender under a construction loan, we may be obligated to fund all or a significant portion of the loan at one or more future dates. We may not have the funds available at those future date (s) to meet our funding obligations under our construction loans. In that event, we would likely be in breach of the loan unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all. If a borrower fails to complete the construction of a project or experiences cost overruns, there could be adverse consequences associated with the loan, including a loss of the value of the property underlying the loan, a borrower claim against us for failure to perform under the loan documents if we choose to stop funding, increased costs to the borrower that the borrower is unable to pay, a bankruptcy filing by the borrower, and abandonment by the borrower of the property underlying the loan. Furthermore, construction projects have faced delays, including as a result of disruptions in supply chains ~~and~~ **,** cost increases associated with building materials and construction services necessary for construction, **and delays and costs associated with obtaining construction permits and complying with local regulations,** all of which can result in cost overruns to complete such projects. **During periods of capital market disruptions, replacement financing may not be available to the borrower which in turn, may result in the borrower’ s inability to repay our loan in full.** The failure of a borrower to complete construction, ~~and~~ these cost overruns or other related impacts, **and the lack of availability of replacement financing,** could ~~have a material~~ **materially and** ~~adverse~~ **adversely** effect on us. Our investments in construction loans require us to make estimates about the fair value of land improvements that may be challenged by the IRS. We have invested in, and may continue to invest in, construction loans, the interest from which will be qualifying income for purposes of the 75 % and 95 % REIT gross income tests, provided that certain requirements are met and, in the case of the 75 % gross income test, the loan is treated as adequately secured by real property. There can be no assurance that the IRS would not successfully challenge our estimate of the value of the real property and our treatment of the construction loans for purposes of the REIT income and assets tests, which may cause us to fail to qualify as a REIT. Investments in subordinated mortgage interests, mezzanine loans and other assets that are subordinated or otherwise junior in a borrower’ s capital structure may expose us to greater risk of loss. We have originated or acquired, and may from time to time in the future originate or acquire, subordinated mortgage interests, mezzanine loans and other assets that are subordinated or otherwise junior to other financing in a borrower’ s capital structure and that involve privately negotiated structures. To the extent we invest in subordinated debt or mezzanine tranches of a borrower’ s capital structure, these investments and our remedies with respect thereto, including the ability to foreclose on any collateral securing the investments, will be subject to the rights of holders of more senior tranches in the borrower’ s capital structure and, to the extent applicable, contractual intercreditor and / or participation agreement provisions. Significant losses related to these loans or investments could materially and adversely affect us. As the terms of these investments are subject to contractual relationships among lenders, co- lending agents and others, they can vary significantly in their structural characteristics and other risks. For example, the rights of holders of subordinated mortgage interests to control the process following a borrower default may vary from transaction to transaction. Further, subordinated mortgage interests typically are secured by a single property and accordingly reflect the risks associated with significant concentration. Like subordinated mortgage interests, mezzanine loans are by their nature structurally subordinated to more senior property- level financings. If a borrower defaults on our mezzanine loan or on debt senior to our loan, or if the borrower is in bankruptcy, our mezzanine loan will be satisfied only after the property- level debt and other senior debt is paid in full. As a result, a partial loss in the value of the underlying collateral can result in a total loss of the value of the mezzanine loan. In addition, even if we are able to foreclose on the underlying collateral following a default on a mezzanine loan, we would be substituted for the defaulting borrower and, to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, we may need to commit substantial additional capital and / or deliver a replacement guarantee by a creditworthy entity, which could include us, to stabilize the property and prevent additional defaults to lenders with existing liens on the property. In addition, our investments in senior loans may be effectively subordinated to the extent we borrow under a warehouse line (which can be in the form of a repurchase ~~facility~~ **agreement**) or similar facility and pledge the senior loan as collateral. Under these arrangements, the lender has a right to repayment of the borrowed amount before we can collect on the value of our loan, and therefore if the value of the pledged senior loan decreases below the amount we have borrowed, we would experience significant losses on the loan which could be material to our business. Most of our CRE loans represent non- recourse obligations of the borrower, with the exception of certain limited purpose guarantees such as customary non- recourse carve- outs for certain “ bad acts ” by a borrower, environmental indemnities and, in some cases, completion guarantees, carry guarantees and limited payment guarantees. Consequently, we typically have no recourse (or very limited recourse for specified purposes) against the assets of the borrower or its sponsor other than our recourse to specified loan collateral. In the event of a borrower default under one or more of our loans, we will bear a risk of loss to the extent of any deficiency between the value of the specified collateral and the unpaid principal balance on our loan, absent recoveries to us under any applicable guarantees, which could materially and adversely affect us. In addition, we may incur substantial costs and delays in realizing the value of such collateral, including the cost of litigation to enforce remedies, which may or may not be successful, and we may be subject to lengthy court delays or other delays that are beyond our control. Further, although a loan may provide for limited recourse to a principal, parent or other affiliate of the borrower, there is no assurance that we will be able to recover our deficiency from any such party or that its assets would be sufficient to pay any otherwise recoverable claim. In the event of the bankruptcy of a borrower, the loans to that borrower will be deemed to be secured only to the extent of the value of any underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the loan or lien securing the loan could be subject to the avoidance powers of the bankruptcy trustee or debtor- in- possession. We may invest in derivative instruments, which would subject us to increased risk of loss. Subject to maintaining our qualification as a REIT, we may invest in derivative instruments. Derivative instruments, especially when purchased in large amounts, may not be liquid, so that in volatile markets we may not be able to close out a position without incurring a loss. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile and such instruments may subject us to significant losses. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Derivatives and other customized instruments **may** also ~~are~~ **be** subject to the risk of non- performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and speculative position limits on the exchanges or over- the- counter markets in which we may conduct our transactions in derivative instruments may prevent prompt liquidation of positions, subjecting us to the potential of greater losses. Derivative instruments that may be purchased or sold by us may include instruments not traded on an exchange. The risk of non- performance by the obligor on such an instrument may be greater and the ease with which we can dispose of or enter into closing transactions with respect to such an instrument may be ~~lessthan~~ **less than** in the case of an exchange- traded instrument. In addition, significant disparities may exist between “ bid ” and “ asked ” prices for derivative instruments that are traded over- the- counter and not on an exchange. Such over- **the-** ~~thecounter~~ --- **counter** derivatives are also typically not subject to the same type of investor protections or governmental regulation as exchange- traded instruments. In addition, we may invest in derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with our investment objectives and legally permissible. Any of these investments may expose us to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and / or we determine to make such an investment. We may be subject to additional risks associated with CRE loan participations. Some of our CRE loans are, and may in the future be, held in the form of participation interests or co- lender arrangements in which we share the loan rights, obligations and benefits with other lenders. With respect to participation interests, we may require the consent of these parties to exercise our rights under the loans, including rights with respect to amendment of loan documentation, enforcement proceedings upon a default and the institution of, and control over, foreclosure proceedings. In circumstances where we hold a minority interest, we may become bound to actions of the majority to which we otherwise would object. We may be adversely affected by this lack of control with respect to these interests. U. S. and global financial systems have undergone significant disruption, and such disruption may negatively impact our ability to execute our investment strategy, which would materially and adversely affect us. In recent years, the U. S. and global financial markets have undergone ~~a~~ significant ~~disruption~~ **disruptions** beginning with the COVID- 19 pandemic, and continuing with supply- demand imbalances **, rapid increases in inflation which required central bank action and resulted in significantly increased short term interest rates** , changes in the employment market and employer practices (including remote work) **, geopolitical tensions forcing changes in supply chains and international trade partnerships,** and general economic uncertainty, the full ramifications of which are not yet known but could continue to materially and adversely affect us. These markets have also experienced significant disruptions in the past, during which times global ~~credit~~ **capital** markets collapsed, borrowers defaulted on their loans at historically high levels, banks and other lending institutions suffered heavy losses and the value of certain classes of real estate declined. During such periods, a significant number of borrowers became unable to pay principal and interest on outstanding loans as the value of their real estate declined. Declining real estate values could reduce the level of new senior and subordinate loan originations. Instability in the U. S. and global financial markets in the future could be caused by any number of factors beyond our control, including, without limitation, pandemics, terrorist attacks or other acts of war **or military activities** , prolonged civil unrest, political instability or uncertainty, **including**

the military ~~activities~~ **conflicts between Russia and Ukraine, Israel and Hamas, and other conflicts throughout the Middle East and North Africa more broadly, some of which may impact global supply chains, tensions involving Russia, China, and Iran** , or broad- based sanctions, should they continue for the long term or escalate, and adverse changes in national or international economic, market and political conditions. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to execute our investment strategy, which would materially and adversely affect us. Insurance proceeds on a property may not cover all losses, which could result in the corresponding non- performance of or loss on our investment related to such property. There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the borrower' s receipt of insurance proceeds with respect to a property relating to one of our investments might not be adequate to restore our economic position with respect to our investment. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property and the value of our investment related to such property. Our investments expose us to risks associated with debt- oriented real estate investments generally. We seek to invest primarily in debt in or relating to real estate assets. Any deterioration of real estate fundamentals generally, and in the U. S. in particular, could negatively impact our performance by making it more difficult for our borrowers to satisfy their debt payment obligations to us, increasing the default risk applicable to borrowers, and / or making it relatively more difficult for us to generate attractive risk- adjusted returns. Changes in general economic conditions will affect the creditworthiness of our borrowers and may include economic and / or market fluctuations, changes in environmental, zoning and other laws, **changes in the cost of capital improvements, which may impact the feasibility of our borrower' s construction plans,** casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand **of regional markets in which our borrowers operate (which may be specific to certain property types)** , fluctuations in real estate fundamentals (including average occupancy and room rates for hotel properties), energy supply shortages, various uninsured or uninsurable risks, natural disasters, terrorism, acts of war, changes in government regulations (such as rent control **, zoning laws, and bank reserve requirements**), political and legislative uncertainty, changes in real property tax rates and operating expenses, changes in interest rates, currency exchange rates **,** changes in the availability of debt financing and / or mortgage funds which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, changes in consumer spending, negative developments in the economy that depress travel activity, demand and / or real estate values generally and other factors that are beyond our control. **For example, the increase in remote working arrangements has contributed, and may further contribute, to a decline in commercial real estate values and reduced demand for certain commercial real estate assets, which may adversely impact certain of our borrowers and may persist even as the pandemic continues to subside.** Recent concerns about the real estate market **, including overall demand for commercial real estate** , rising interest rates, inflation, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the economy and markets going forward. We cannot predict the degree to which economic conditions generally, and the conditions for CRE debt investing in particular, will improve or decline. Declines in the performance of relevant regional and global economies or in the CRE debt market could have a material adverse effect on us. ~~CRE- related investments~~ **Investments** that are secured, directly or indirectly, by CRE are subject to potential delinquency, foreclosure and loss, which could materially and adversely affect us. CRE debt investments that are secured, directly or indirectly, by property are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured, directly or indirectly, by an income-producing property typically depends primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, or the cost of debt service increases, a borrower' s ability to repay our loan in a timely manner, or at all, may be impaired and therefore could reduce our return from an affected property or investment, which could materially and adversely affect us. Net operating income of an income- producing property can be affected by, among other things: • tenant mix and tenant bankruptcies; ~~•~~ success of tenant businesses and the ability to respond to evolving risks, including public health risks and governmental measures that may be promulgated in connection therewith ~~•~~ **;** renovations or repositionings during which operations may be limited or halted completely; ~~•~~ property management decisions, including with respect to capital improvements, particularly in older building structures; ~~•~~ property location and condition; ~~•~~ competition from other properties offering the same or similar services; ~~•~~ **changes in supply and demand of regional markets in which our borrowers operate, which may be specific to certain property types;** changes in laws that increase operating expenses or limit rents that may be charged; ~~•~~ any need to address environmental contamination or compliance with environmental requirements at the property; ~~•~~ changes in national, regional or local economic conditions and / or specific industry segments; ~~•~~ declines in regional or local real estate values; ~~•~~ declines in regional or local rental or occupancy rates **, including as a result of the increase in remote working arrangements** ; ~~•~~ changes in real estate tax rates and other operating expenses; ~~•~~ changes in governmental rules, regulations and fiscal policies, including Treasury Regulations promulgated under the Code, or Treasury Regulations, and environmental legislation; ~~•~~ fraudulent acts or theft on the part of the property owner, sponsor and / or manager; ~~•~~ the potential for uninsured or under- insured property losses; ~~•~~ acts of God, terrorism, social unrest and civil disturbances, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; and ~~•~~ adverse changes in zoning laws. In addition, an increase in **or generally high** interest rates can decrease a borrower' s ability to service its debt even if net operating income remains stable. In the event of any default under a loan held directly by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the sum of the unpaid principal of, accrued interest on and cost to enforce our rights under such loan. In the event of the bankruptcy of a loan borrower, the loan to that borrower will be deemed to be secured only to the extent of the value of any underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor- in- possession to the extent the lien is unenforceable under state law. Foreclosure of a loan can be an expensive and lengthy process and could result in significant losses. Prepayment rates may adversely affect the yield on our loans ~~and~~ **,** the value of our portfolio of assets **, and our liquidity** . The value of our assets may be affected by prepayment rates on loans. As of December 31, ~~2022~~ **2023** , based on unpaid principal balance, over 50 % of our loans were open to repayment by the borrower without penalty. In periods of declining interest rates, prepayment rates on loans will generally increase. If interest rates decline at the same time as prepayment rates, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In periods of increasing **or generally high** interest rates and / or credit spreads, prepayment rates on loans will generally decrease, which could impact our liquidity, or increase our potential exposure to loan non- performance. In addition, if we originate or acquire mortgage- related securities or a pool of mortgage securities, we anticipate that the underlying mortgages will prepay at a projected rate generating an expected yield. If we purchase assets at a premium to par value, when borrowers prepay their loans faster than expected, the corresponding prepayments on the asset may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their loans slower than expected, the decrease in corresponding prepayments on the asset may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated. In addition, as a result of the risk of prepayment, the market value of the prepaid assets may benefit less than other fixed income securities from declining interest rates. Prepayment rates on loans may be affected by a number of factors **,** including ~~, but not limited to,~~ the then- current level **and trajectory** of interest rates, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal factors and other factors beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. Difficulty in redeploying the proceeds from repayments of our existing loans and investments may cause our financial performance and returns to investors to suffer. As our loans and investments are repaid, we will have to redeploy the proceeds we receive into new loans and investments, repay borrowings under our credit facilities, pay dividends to our stockholders or repurchase outstanding shares of our common stock. It is possible that we will fail to identify reinvestment options that would provide returns or a risk profile that is comparable to the asset that was repaid. If we fail to redeploy the proceeds we receive from repayment of a loan in equivalent or better alternatives, our financial performance and returns to investors could suffer. A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair our investments and harm our operations, which could materially and adversely affect us. The risks associated with our business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce the level of loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on its loans in the event of default because the value of our collateral may be insufficient to cover its cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our ability to invest in, hold and finance loans. Any of the foregoing risks could materially and adversely affect us. Recent macroeconomic trends, including **recent increases in** inflation and ~~rising~~ interest rates, may adversely affect our business, financial condition and results of operations. Throughout ~~2022~~ **2023** , inflation in the United States **moderated, though** has **not yet reached** ~~accelerated and is currently expected to continue at an elevated level~~ **levels** ~~in~~ **commensurate with** the ~~near~~ **U. S. Federal Reserve' s long** - term **target** . ~~Rising~~ **In response to this recent inflationary pressure, the U. S. Federal Reserve and other global central banks raised interest rates in 2022 and 2023. The moderation of** inflation **in the United States in 2023 has made the likelihood of further interest rate increases less likely while increasing the likelihood of interest rate cuts in 2024. The amount and timing of any such rate cuts remains uncertain. Inflation above the U. S. Federal Reserve' s long- term target and monetary policy adjustments (i. e., higher interest rates) made in response** could have an adverse impact on any floating rate debt we have incurred and may incur in the future, and our general and administrative expenses, as these costs could increase at a rate higher than our interest income and other revenue. ~~In response to recent inflationary pressure, the U. S. Federal Reserve and other global central banks have raised interest rates in 2022 and 2023 and have indicated likely further~~ **Further , to** ~~interest rate increases. To~~ the extent our borrowing costs increase faster than the interest income earned from our floating- rate loans, such increases may adversely affect our cash flows **, our ability to meet the financial covenants in the agreements governing our indebtedness, or our ability to refinance maturing debt as it comes due** . In addition, such **above- target** inflation **and any commensurate adjustments to monetary policy** may materially and adversely impact the ability of our borrowers to make required payments on our loans. Provisions for ~~loan~~ **credit** losses are difficult to estimate. Our provision for ~~loan~~ **credit** losses is evaluated on a quarterly basis. The determination of our provision for ~~loan~~ **credit** losses requires us to make certain estimates and judgments, which may be difficult to determine. Our estimates and judgments are based on a number of factors, including **historical loan loss reference data,** projected cash flow **to and** from the collateral securing our loans, ~~debt~~ **loan** ~~structure~~ **structures** , including the availability of reserves and recourse guarantees, likelihood of repayment in full at the maturity of a loan, potential for refinancing **,** and expected market discount rates **and collateral value** for varying property types, **and expectations of performance and market conditions,** all of which remain uncertain and are subjective. Our estimates and judgments may not be correct and, therefore, our results of operations and financial condition could be ~~severely~~ **materially and adversely** impacted. We may not have control over certain of our investments. Our ability to manage our portfolio of investments may be limited by the form in which they are made. In certain situations, we may: ~~•~~ acquire investments subject to rights of senior creditors and servicers under intercreditor or servicing agreements; • pledge our investments as collateral for financing arrangements; • acquire only a minority and / or a non- controlling participation in an underlying investment; • co- invest with others through partnerships, joint ventures or other entities, thereby acquiring non- controlling interests; or • rely on independent third- party management or servicing with respect to the management of an asset. Therefore, we may not be able to exercise control over all aspects of our investments. Such investments may involve risks not present in investments as to which senior creditors, junior creditors or servicers are not involved. Our rights to control the process following a borrower default may be subject to the rights of senior or junior creditors or servicers whose interests may not be aligned with ours. Joint venture investments could be adversely affected by our lack of sole decision- making authority, our reliance on joint venture partners' financial condition and liquidity and disputes between us and our joint venture partners. We have made, and may in the future make investments through joint ventures. Such joint venture investments may involve risks not otherwise present when we originate or acquire investments without partners, including the following: • we may not have exclusive control over the investment or the joint venture, which may prevent us from taking actions that are in our best interest; • joint venture agreements often restrict the transfer of a partner' s interest or may otherwise restrict our ability to sell the interest when we desire and / or on advantageous terms; • any future joint venture agreements may contain buy- sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner' s interest or selling its interest to that partner; • we may not be in a position to exercise sole decision- making authority regarding the investment or joint venture, which could create the potential risk of creating impasses on decisions, such as with respect to acquisitions or dispositions; • a partner may, at any time, have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals; • a partner may be in a position to take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT and our exclusion from registration under the 1940 Act; • a partner may fail to fund its share of required capital contributions or may become bankrupt, which may mean that we and any other remaining partners generally would remain liable for the joint venture' s liabilities; • our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the applicable joint venture agreements and, in such event, we may not continue to own or operate the interests or investments underlying such relationship or may need to purchase such interests or investments at a premium to the market price to continue ownership; • disputes between us and a partner may result in litigation or arbitration that could increase our expenses and prevent our Manager and our officers and directors from focusing their time and efforts on our business and could result in subjecting the investments owned by the joint venture to additional risk; or • we may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to continue to qualify as a REIT or maintain our exclusion from registration under the 1940 Act, even though we do not control the joint venture. Any of the above may subject us to liabilities in excess of those contemplated and adversely affect the value of our future joint venture investments, which could materially and adversely affect us. CRE valuation is inherently subjective and uncertain. The valuation of CRE assets and therefore the valuation of any underlying collateral relating to loans made by us is inherently subjective and uncertain due to, among other factors, the individual nature of each property, its location, the expected future cash flows from that particular property, future market conditions, ~~the impact of the COVID- 19 pandemic on the~~ demand for various types of real estate and the valuation methodology adopted. In addition, where we invest in construction loans, initial assessments will assume completion of the project. As a result, the valuations of the CRE assets against which we will make loans are subject to a large degree of uncertainty, which has increased due to the current market volatility, and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt or equity capital availability in the commercial or residential real estate markets. The due diligence process that our Manager undertakes in regard to investment opportunities may not reveal all facts that may be relevant in connection with an investment and if our Manager incorrectly evaluates the risks of our investments, we may experience losses, which could materially and adversely affect us. Before making investments for us, our Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances relevant to each potential investment. When conducting due diligence, our Manager may be required to evaluate a number of important issues, including ~~but not limited to~~ those relating to business, financial, tax, accounting, environmental, social and governance (" ESG ") matters, technology, cybersecurity, legal, regulatory and macroeconomic trends. Outside consultants, legal advisors and accountants may be involved in the due diligence process in varying degrees depending on the investment. Relying on the resources available to it, our Manager will evaluate our potential investments based on criteria it deems appropriate for the relevant investment. The nature and scope of our Manager' s ESG- related diligence, if any, will vary based on the nature of the investment opportunity and what our Manager deems appropriate under the circumstances, which may not reflect the preferred practices of any particular investor and may differ from other market practices. In addition, our Manager' s credit underwriting may not prove accurate, and actual results may vary materially from estimates. If our Manager' s assessment of an asset' s future performance is not accurate relative to the way we underwrite such asset, or our Manager' s due diligence process fails to identify material risks relating to such asset, we may experience losses with respect to such investment. Any such losses could materially and adversely affect us. Moreover, investment analyses and decisions by our Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to our Manager at the time of making an investment decision may be limited, and it may not have access to detailed information regarding such investment. Further, certain considerations covered by our Manager' s diligence, such as ESG- related risks, are continuously evolving, including from an assessment, regulatory and compliance standpoint, and our Manager may not accurately or fully anticipate such evolution. Therefore, we cannot assure you that our Manager will have knowledge of all circumstances that may adversely affect such investment. We may foreclose on certain of the loans we originate or acquire, which could result in material losses. Properties underlying our CRE loans may be subject to unknown or unquantifiable liabilities that may adversely affect the value of our investments. Such defects or deficiencies may include title defects, title disputes, liens or other encumbrances on the mortgaged properties. The discovery of such unknown defects, deficiencies and liabilities could affect the ability of our borrowers to make payments to us or could affect our ability to take title to and sell the underlying properties, which could materially and adversely affect us. We may find it necessary or desirable to foreclose on certain of the loans we originate or acquire in order to preserve our investment. Any foreclosure process may be lengthy and expensive. Among the expenses that are likely to occur in any foreclosure would be the incurrence of substantial legal fees and potentially significant transfer taxes. If we foreclose on an asset, we may take title to the property securing that asset subject to any debt and debt service requirements then in effect, which was the case for the foreclosure resulting in our real estate owned investment. As a result, we cannot assure you that the value of the collateral underlying a foreclosed loan at or after the time a foreclosure is contemplated or completed will exceed our investment, including related foreclosure expenses and assumed indebtedness, or that operating cash flows from such investment will exceed debt service requirements, if any. As a result, a contemplated or completed foreclosure could result in significant losses. If we do not or cannot sell a foreclosed property, we would then come to own and operate it as " real estate owned. " Owning and operating real property, such as our real estate owned ~~investment~~ **investments** , involves risks that are different (and in many ways more significant) than the risks faced in lending against a CRE asset. Furthermore, claims may be asserted by other lenders or borrowers that might interfere with our ability to foreclose or otherwise enforce our rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against us, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buyout of the borrower' s position in the loan. In some states, foreclosure actions can take several years or more to litigate. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process and potentially resulting in a reduction or discharge of a borrower' s debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net proceeds and, thus, increase any such loss. The incurrence of any such losses could materially and adversely affect us. We may be subject to lender liability claims, and if we are held liable under such claims, we could be subject to losses. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed " lender liability. " Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We cannot assure you that such claims will not arise or that we will not be subject to significant liability and losses if a claim of this type did arise. Liability relating to environmental matters may impact the value of our loans or of properties that we may acquire upon foreclosure of the properties underlying our investments. To the extent we take title to any of the properties underlying our investments, we may be subject to environmental liabilities arising from the foreclosed properties. Under various U. S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. The presence of hazardous substances on a property may adversely affect our ability to sell the property, and we may incur substantial remediation costs. As a result, the discovery of material environmental liabilities attached to those properties could materially and adversely affect us. In addition, the presence of hazardous substances may adversely affect an owner' s ability to sell real estate or borrow using real estate as collateral. To the extent that an owner of a property underlying one of our loans becomes liable for removal costs, the ability of the owner to make payments to us may be reduced, which in turn may adversely affect the value of the relevant loan held by us and could materially and adversely affect us. Climate change, and other risks relating to the environmental, social and governance impact of our investments or the underlying properties and development activities that we finance, could adversely affect our business. We face a number of risks associated with climate change including risks stemming from the physical impacts of climate change and risks related to potential changes in applicable legislation and regulation, either of which could have a material adverse effect on the properties underlying our investments, our borrowers, or our performance. It is not possible to predict how legislation or new regulations that may be adopted to address greenhouse gasses, or GHG, emissions will impact our borrowers or CRE properties generally. Future environmental laws and regulations could require the owners of properties to make significant expenditures to attain and maintain compliance. More broadly, we face risks associated with the unpredictability of new legislation and regulation focused on ESG matters, as well as those associated with an increasing trend among certain investors to take ESG factors into account in determining whether to invest in companies. If we are involved with assets or entities associated with certain industries or activities that are perceived to be causing or exacerbating climate change or other ESG- related issues, it may adversely impact our ability to raise capital from certain investors or harm our reputation. Conversely, if we avoid involvement with such industries or activities, it may limit our capital deployment opportunities to an extent that adversely affects our business. Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance matters, that could expose us to numerous risks. Recently, there has been growing concern from advocacy groups, government agencies and the general public on ESG matters and increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. Such governmental, investor and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to manage, assess and report. We are subject to changing rules and regulations promulgated by a number of governmental and selfregulatory organizations, including the SEC, the New York Stock Exchange and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. **For example, the SEC has recently adopted rules requiring that issuers provide significantly increased disclosures concerning cybersecurity matters and requiring public companies to adopt more stringent executive compensation clawback policies.** Further, new and emerging regulatory initiatives in the U. S. related to climate change and ESG could adversely affect our business. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. ESG, the ESG proposed rules and other sustainability matters and our response to these matters could harm our business, including in areas such as diversity, equity and inclusion, human rights, climate change and environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. Further, we may choose to communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG- related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Statements about our ESG- related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If we are unable to adequately address such ESG matters or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, or if we or our borrowers fail or are perceived to fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Risks Related to Sources of Financing and Hedging We have a significant amount of debt outstanding and may incur a significant amount of additional debt in the future, which subjects us to increased risk of loss, which could materially and adversely affect us. As of December 31, ~~2022~~ **2023** , we had approximately $ 5. 7 billion in consolidated indebtedness outstanding. In the future, subject to market conditions and availability, we may incur significant additional debt through repurchase ~~facilities~~ **agreements** , asset- specific financing structures, and secured term loan borrowings. In addition to these types of financings, we may also use other forms of leverage, including secured and unsecured credit arrangements, structured financings such as CMBS and CLOs, derivative instruments, public and private secured and unsecured debt issuances by us or our subsidiaries. Subject to compliance with the leverage covenants contained in our repurchase ~~facilities~~ **agreements** and other financing arrangements, the amount of leverage we employ will vary depending on our available capital, our ability to obtain **and maintain** financing, the type of assets we are financing, whether the financing is match- funded, whether the financing is recourse or non- recourse, the debt restrictions and other covenants sought to be imposed by prospective and existing lenders and the stability of our loan portfolio' s cash flow, as well as general business conditions affecting lenders and the broader debt capital markets, including overall supply and demand of credit. In addition, we may leverage individual assets at substantially higher levels than our targeted Total Leverage Ratio. A significant amount of debt subjects us to many risks that, if realized, would materially and adversely affect us, including the risk that: ~~•~~ our cash flow from operating activities could become insufficient to make required payments of principal and interest on our debt, which would likely result in (a) acceleration of the debt (and any other debt containing a cross- default or cross- acceleration provision), increasing the likelihood of further distress if refinancing is not available on favorable terms or at all, (b) our inability to borrow undrawn amounts under other existing financing arrangements, even if we have timely made all required payments under such arrangements, further compromising our liquidity, and / or (c) the loss of some or all of our assets that are pledged as collateral in connection with our financing arrangements (including assets transferred to lenders under repurchase ~~facilities~~ **agreements**); ~~•~~ our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that such debt will increase our investment yields in an amount sufficient to offset the associated risks relating to leverage; ~~•~~ we may be required to dedicate a substantial portion of our cash flow from operating activities to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions and / or other purposes; ~~and •~~ to the extent the maturity of certain debt (~~e. g.~~ , credit or repurchase ~~facilities~~ **agreements**) occurs prior to the maturity of a related asset pledged or transferred as collateral for such debt (~~e. g.~~ , an underlying senior or subordinate loan made by us), we may not be able to refinance that debt on favorable terms or at all, which may reduce available liquidity and / or cause significant losses to us **; and in certain instances, we may be required to de- lever our financing specifically related to, or otherwise impacted by, a non- performing or defaulted loan, modify our financing facility or find replacement financing, if available, which could be on less favorable terms, or pledge additional collateral to our financing facility, all of which may reduce available liquidity** . Although our Manager will seek to prudently manage our exposure to the risk of default on our debt, there can be no assurance that our financing strategy will be successful or that it will produce enhanced returns commensurate with the increased risk of loss that necessarily arises when using leverage. Our financing strategy may cause us to incur significant losses, which could materially and adversely affect us. Our ~~Secured~~ **secured** ~~Term~~ **term** ~~Loan~~ **loan** , ~~Debt~~ **debt** ~~Related~~ **related** to ~~Real~~ **real** ~~Estate~~ **estate** ~~Owned~~ **owned** , current financing facilities, **derivative instruments,** and secured loans impose, and additional lending facilities may impose, financial and other covenants that restrict our operational flexibility, which could materially and adversely affect us. Our ~~Secured~~ **secured** ~~Term~~ **term** ~~Loan~~ **loan** , ~~Debt~~ **debt** ~~Related~~ **related** to ~~Real~~ **real** ~~Estate~~ **estate** ~~Owned~~ **owned** , current financing facilities, **derivative instruments,** and secured loans contain, and additional financing facilities may contain ~~,~~ various customary covenants, including requiring us to meet or maintain certain financial ratios or other requirements that restrict our operational flexibility, including restrictions on dividends, distributions or other payments from our subsidiaries, and impede certain investments that we might otherwise make. In addition, certain of our existing lenders and counterparties ~~, and future lenders or counterparties~~ require us to maintain minimum amounts of cash ~~or~~

~~other liquid~~ **liquidity** ~~assets~~ **of not less than the greater of (x) $ 50 million or (y) 5 % of our recourse indebtedness, which may also be required by future lenders or counterparties** . As **of December 31, 2023 and 2022, we had cash and cash equivalents of $ 187. 3 million and $ 306. 5 million, respectively. There can be no assurance that we will be able to maintain the required minimum amounts of cash liquidity going forward. In addition, as** a result **of the requirement to maintain a minimum amount of cash liquidity** , we may not be able to leverage our assets as fully as we would otherwise choose, which could reduce our liquidity and returns on equity. If we are unable to meet these financial covenants, it could materially and adversely affect us **. For the quarters ended or ending December 31, 2023 and March 31, 2024, we modified certain of our EBITDA to interest charges covenants to provide for a minimum ratio of 1. 3 to 1. 0 for such covenants which previously required a minimum ratio of 1. 4 to 1. 0. Future compliance with our financial covenants is dependent upon the results of our operating activities, our financial condition, and the overall market conditions in which we and our borrowers operate. As market conditions evolve, we may work with our counterparties to request modifications of financial covenants as needed** . In addition, certain of our existing lenders require, and future lenders may require, us to agree that we would be in default if our Manager or one or more of its executive officers cease to serve in such capacity for any reason. If we fail to satisfy any of these covenants, such that a default arises, our lenders may be entitled to enforce remedies such as declaring outstanding amounts due and payable, terminating their commitments, requiring the posting of additional collateral and / or enforcing their security interests against existing collateral, unless we were able to negotiate a waiver, forbearance or other modification. Any such arrangement could be conditioned on an amendment to the lending or repurchase agreement and any related guarantee agreement on terms that may be unfavorable to us. Certain of our financings are, and may also in the future, contain cross- default and / or cross- acceleration provisions with respect to our other debt agreements or facilities. Any such provision could allow a financing counterparty to declare a default because of a default **or acceleration** under a financing arrangement with a different financing counterparty ~~,~~ **. This would create** defaults across multiple financings resulting from a single event. This and any other type of default could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U. S. federal income tax purposes, as liquidity generated from operating cash flow is transferred to our lenders rather than distributed to our stockholders. As a result, a default on any of our debt could materially and adversely affect us. Credit ratings assigned to us, our indebtedness or our investments will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded or withdrawn or placed on negative outlook, which could adversely impact us. We and our ~~Secured~~ **secured** ~~Term~~ **term** ~~Loan~~ **loan** are currently rated by Standard & Poor' s and Moody' s Investors Service and our ~~Secured~~ **secured** ~~Term~~ **term** ~~Loan~~ **loan** is also rated. Our and our ~~Secured~~ **secured** ~~Term~~ **term** ~~Loan~~ **loan** credit ratings could change based upon, among other things, our historical and projected business, financial condition, liquidity, results of operations, and prospects. Our issuer and senior secured debt credit ratings have in the past fluctuated, and currently have ratings of B (stable) from Standard and Poor ~~'~~ **'** s and Ba3 (stable) from Moody' s Investors Service. These ratings actions or any future downgrade, or withdrawal of a rating or any credit rating agency action that indicates that it has placed our rating on a " watch list " for a possible downgrading or lowering, or otherwise indicates that its outlook for our rating is negative, could increase our borrowing costs and our ability to access capital on favorable terms or at all and otherwise adversely affect us. Our ratings are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any ratings will not be changed adversely or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Some of our investments may also be rated by rating agencies such as Moody' s Investors Service, Fitch Ratings, Standard & Poor' s, DBRS, Inc., Realpoint LLC or Kroll Bond Rating Agency. Any credit ratings on our investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Any adverse ratings action or withdrawal on one of our investments could adversely impact us. For example, if a rating agency assigns a lower- than- expected rating or subsequently reduces or withdraws, or indicates that it may reduce or withdraw, its ratings of one or more of our investments in the future, the value and liquidity of such investment (s) could significantly decline, which would adversely affect the overall value of our loan portfolio and could result in losses upon our disposition of such investment (s) or the failure of borrowers underlying such investment (s) to satisfy their debt service obligations to us. Further, any downgrade of the Company' s credit ratings by any of the credit agencies that cover our debt may make it more difficult and costly for us to access capital. There can be no assurances that our credit ratings will not be downgraded in the future, whether as a result of deteriorating general economic conditions, failure to successfully implement our operating strategy or the adverse impact on our results of operations or liquidity position of any of the above, or otherwise. The arrangements that we currently use, or may in the future use, to finance our investments may require us to provide additional collateral or pay down debt based on the occurrence of certain events. Some of our financing arrangements contain mark- to- market provisions creating a risk that a decline in the market value of the assets pledged or sold by us to the provider of the related financing will allow the lender or counterparty to make margin calls or otherwise force us to repay all or a portion of the funds advanced additional collateral. Our Manager generally seeks to structure credit and repurchase ~~facilities~~ **agreements** that do not allow our lenders or counterparties to make margin calls or require additional collateral solely as a result of a disruption in the CMBS market, capital markets or credit markets, or a general increase or decrease of interest rate spreads or other similar benchmarks (as opposed to allowing such counterparties to make margin calls upon the occurrence of adverse " credit events " related to the collateral). However, some of our repurchase ~~facilities~~ **agreements** contain, and certain of our future repurchase ~~facilities~~ **agreements** or other financing facilities may contain, provisions allowing our lenders to make margin calls or require additional collateral solely upon the occurrence of adverse changes in the markets or interest rate or spread fluctuations, subject to minimum thresholds, among other factors. We have in the past pursued, and may continue to pursue, standstill agreements, pursuant to which we may agree to voluntary repayments in exchange for the lender agreeing not to exercise margin calls for a period of time, with our repurchase ~~facility~~ **agreement** counterparties if or when we deem appropriate, although there is no assurance that such efforts will be successful.

In such instances, we may also agree to a structured paydown over time in an effort to minimize the impact to our liquidity, subject to our financing counterparty' s consent. Under credit and repurchase ~~facilities~~ **agreements** that provide for margin calls ~~or require additional collateral based on the market value of the financed asset or assets~~ , the lender or counterparty can generally require **cash or** additional collateral ~~upon the occurrence of a credit event specific~~ to **satisfy** ~~the collateral that adversely impacts the value of~~ such ~~collateral~~ **margin call** . From time to time, we may not have the funds **or assets** available to ~~meet~~ **satisfy** such a margin call, which would likely result in one or more defaults unless we are able to raise the requisite funds from alternative sources such as selling assets at a time when we would not otherwise choose to do so (which we may not be able to achieve on favorable terms or at all). In addition, the payment of margin calls and / or provision of additional collateral could reduce our cash available to make other, higher yielding investments (thereby decreasing our returns on equity). If we cannot meet these requirements, the lender or counterparty could accelerate our indebtedness and exercise remedies including retention or sale of assets pledged or transferred as collateral, increase the interest rate on advanced funds, increase the level of recourse on our borrowings, and / or terminate our ability to borrow funds from it, which could materially and adversely affect us. Additionally, any future loan modifications for our loans that have been financed with repurchase ~~facilities~~ **agreements** will require the consent from the applicable lender prior to us entering into any such loan modification. There can be no assurance that such lender will consent to any such loan modifications or will not require us to take certain actions as a condition to obtaining such consent, which could materially and adversely affect us. In our repurchase transactions, we are required to sell the assets to our lenders (i. e., repurchase agreement counterparties) in exchange for the delivery of cash from such lenders. At the maturity of the financing, the lenders are obligated to resell the same assets back to us upon payment of a repurchase price equal to the outstanding advance amount on such assets together with any accrued and unpaid interest thereon and other amounts then due to the lenders. If a counterparty to our repurchase transactions defaults on its obligation to resell the asset back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will likely incur a loss on our repurchase transactions. If a lender or counterparty files for bankruptcy or becomes insolvent, our loans may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. In addition, our repurchase agreements and credit facilities contain, and any new repurchase agreements or credit agreements we may enter into are likely to contain, cross- default and / or cross acceleration provisions. Such provisions allow a lender to declare a default under its facility with us on the basis of a default **or acceleration** under a facility with a different lender. If a default **or acceleration** occurs under any of our repurchase agreements or credit facilities and ~~a~~ **one or more** ~~lender~~ **lenders** terminates one or more of its repurchase ~~agreements~~ - **agreement** or credit ~~facilities~~ **facility** , we may need to enter into replacement repurchase agreements or credit facilities with different lenders. In these circumstances, we may not be successful in entering into replacement repurchase agreements or credit facilities on the same **or similar** terms as the repurchase agreements or credit facilities that were terminated or at all. Also, because repurchase agreements and similar credit facilities are generally short- term commitments of capital, changes in conditions in the financing markets may make it more difficult for us to **maintain or** secure continued financing during times of market stress. During certain periods of a credit cycle, lenders may lose their ability or curtail their willingness to provide financing. If we are not able to arrange for replacement financing on acceptable terms, or if we default on any covenants or are otherwise unable to access funds under any of our repurchase agreements and credit facilities, we **could experience a significant liquidity event and** may have to curtail our asset origination and acquisition activities and / or dispose of investments. Such an event could restrict our access to financing and increase our cost of capital, which could materially and adversely affect us. We depend or may depend on bank credit agreements and facilities, repurchase ~~facilities~~ **agreements** and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to transaction- or asset- specific financing arrangements and other sources of financing to execute our business plan, and our inability to **maintain or** access financing on favorable terms could have a material adverse effect on us. Our ability to fund our investments may be impacted by our ability to secure **and maintain** bank credit facilities (including term loans and revolving facilities), repurchase ~~facilities~~ **agreements** and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to asset- specific financing arrangements and other sources of financing on acceptable terms. We utilize repurchase agreements to finance the acquisition of certain investments. In order for us to borrow funds under a repurchase agreement, our lender has the right to review the potential assets for which we are seeking financing and approve such assets in its sole discretion. Accordingly, we may be unable to obtain the consent of a lender to finance an investment and alternate sources of financing for such asset may not exist. We may also rely on short- term financing that would be especially exposed to changes in availability. Our access to sources of financing will depend upon a number of factors, over which we have little or no control, including: ~~•~~ general economic or market conditions; ~~•~~ the market' s view of the quality of our assets; ~~•~~ the market' s view of performance of other companies executing a strategy comparable to ours; ~~•~~ the market' s perception of our growth potential; ~~•~~ our current and potential earnings liquidity and cash distributions; ~~•~~ regulatory capital reform rules or other regulatory changes; and ~~•~~ the market price of shares of our common stock. We will need to periodically access the capital markets to raise cash to fund new investments or repay in whole or in part the financings associated with existing investments. Unfavorable economic or capital market conditions, such as the severe dislocation in the capital and credit markets caused most recently by a material increase in interest rates ~~designed~~ **intended** to combat **recent increases in** inflation ~~arising after the earlier stages of the COVID- 19 pandemic and, before that, reflected by the global financial crisis of 2008~~ , may increase our financing costs, limit our access to the capital markets and result in a decision by our potential lenders not to extend credit **or to reduce their credit exposure** . An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business plan and could decrease our earnings and liquidity and materially and adversely affect us. In addition, any dislocation or weakness in the capital and credit markets, such as the dislocation that existed during the global financial crisis of 2008, could adversely affect our lenders and could cause one or more of our lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, as regulatory capital requirements imposed on our lenders are increased, they may be required to limit or **reduce the amount of, or** increase the cost of financing they provide to us. In general, this could ~~potentially~~ increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price. No assurance can be given that we will be able to obtain **or maintain** financing on favorable terms or at all. In addition, although we plan to seek to reduce our exposure to lender concentration- related risk by entering into financings with various counterparties, we are not required to observe specific lending counterparty diversification criteria. To the extent that our net exposure under our lending arrangements may become concentrated with one or more lenders, the adverse impacts of defaults or terminations by our lenders may be significantly greater. Fluctuations in interest rates and credit spreads could increase our financing costs and / or reduce our ability to generate income on our investments, which could lead to a significant decrease in our results of operations, cash flows and the value of our investments or the underlying collateral and may limit our ability to pay distributions to our stockholders. Our primary interest rate exposures relate to the yield on our investments and the financing cost of our debt, as well as our exposure to interest rate swaps that we may utilize for hedging purposes either with respect to our investments or our indebtedness. Changes in interest rates affect our net interest income, which is the difference between the interest income we earn on our interest- earning investments and the interest expense we incur in financing these investments. In a period of rising interest rates, our interest expense on floating rate debt would increase, while any additional interest income we earn on floating rate investments may not equal or exceed the increase in interest expense. The interest earned on investments and incurred on debt that carry a fixed rate would not change. In a period of declining interest rates, the interest income on floating rate investments would decline, while any decline in the interest we are charged on our floating rate debt may not equal or exceed the decrease in interest income and the interest expense we incur. As noted above, the interest earned on investments and incurred on debt that carry a fixed rate would not change. Certain of our financings may have interest rate floors, which if the index rate were to fall below such floor our interest expense would essentially remain fixed. Consequently, changes in interest rates may significantly influence our net interest income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses, which could materially and adversely affect us. Changes in the level of interest rates also may affect our ability to originate or acquire investments, the value of our investments and our ability to realize gains from the disposition of assets. Increases in interest rates and credit spreads may also negatively affect demand for loans and could result in higher borrower default rates. In 2022 and 2023, the U. S. Federal Reserve raised benchmark overnight interest rates **to combat** ~~on multiple occasions and may further increase~~ **increases in inflation. More recently, inflation has moderated and the U. S. Federal Reserve has indicated that additional increases have become less likely and the potential for decreases in interest** rates **are more likely, though it is impossible to know if, when and by how much the U. S. Federal Reserve will reduce interest rates in 2024** . For more information regarding changes in interest rates affecting borrower default rates, please see ~~" — The planned discontinuance of LIBOR has affected and will continue to affect financial markets generally, and may adversely affect our interest income, interest expense, or both. " See also~~ " — Prepayment rates may adversely affect the yield on our loans and the value of our portfolio of assets. " Our operating results will depend, in part, on differences between the income earned on our investments, net of credit losses, and our financing costs. The yields we earn on our assets and our borrowing costs tend to move in the same direction in response to changes in interest rates. However, one can rise or fall faster than the other, causing our net interest income to expand or contract. In addition, we could experience a compression of the yield on our investments and our financing costs. Although we seek to match the terms of our liabilities to the expected lives and interest rate reference indices of loans that we originate or acquire, circumstances may arise in which our liabilities are shorter in duration than our investments, resulting in their adjusting faster in response to changes in interest rates. For any period during which our investments are not match- funded, the income earned on such investments may respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, in such circumstances, increases in interest rates, particularly short- term interest rates, may immediately and significantly decrease our results of operations and cash flows, the market value of our investments and may adversely impact our ability to comply with covenants under our financings. Our use of leverage may create a mismatch with the duration and interest rate reference index of the investments that we are financing. We work to structure our financings to minimize the difference between the term of our investments and the term of the financing for such investments. In the event that a financing has a shorter term than the tenor of the financed investment, we may not be able to extend the financing or find appropriate replacement financing and any such failure would have an adverse impact on our liquidity and our returns. In the event that a financing has a shorter term than the financed investment, we may not be able to repay the financing when due or replace the financed investment with an optimal substitute or at all, which will negatively impact our desired leveraged returns. We attempt to structure our financings to minimize any mismatch between the type of interest rate of our investments and the interest rate of related financings — financing floating rate investments with floating rate financing and fixed rate investments with fixed rate financing. Further, we work to match reference rates on floating rate liabilities used to finance floating rate assets. If such a rate- type matched product is not then available to us on favorable terms, we may use hedging instruments to effectively create such a match. For example, in the case of fixed rate investments, we may finance investments with floating rate financing, but effectively convert all or a portion of the attendant financing to fixed rate using hedging strategies. We routinely use ~~LIBOR /~~ SOFR floors on both our investments and our debt financings, with the ~~financing LIBOR /~~ SOFR ~~floor~~ **floors of our financings** typically ~~at a~~ lower ~~rate~~ than **the SOFR floors** for our investments. ~~For more information regarding changes in interest rates affecting borrower default rates, please see " — The planned discontinuance of LIBOR has affected and will continue to affect financial markets generally, and may adversely affect our interest income, interest expense, or both. "~~ Our attempts to mitigate these risks are subject to factors outside of our control, such as the availability to us of favorable financing and hedging options, which is subject to a variety of factors, of which duration and term matching are only two. A duration mismatch may also occur when borrowers prepay their loans faster or slower than expected. The risks of a duration mismatch are also magnified by the potential for the extension of loans in order to maximize the likelihood and magnitude of their recovery value in the event the loans experience credit or performance challenges. Employment of this asset management practice could effectively extend the duration of our investments, while our hedges or liabilities may have set maturity dates. An increase in our borrowing costs relative to the interest that we receive on our leveraged assets would adversely affect our profitability and our cash available for distribution to our stockholders. As certain borrowings mature, we may need to replace such borrowings with new financings, find other sources of liquidity or sell assets. As borrowing rates have increased from **recent and** historically low levels ~~that have been seen recently~~ , at the time we enter into new borrowings, the spread between the returns on our investments and the cost of our borrowings may be reduced. In addition, there is no assurance that short- term interest rates may not increase further. **Although** ~~For example, in response to recent inflationary pressure,~~ the U. S. Federal Reserve ~~and other global central banks have raised~~ **has indicated that it currently plans to lower** interest rates in ~~2022~~ **2024** ~~and 2023 and have indicated likely further~~ **, it is impossible to know the trajectory of** interest ~~rate~~ **rates . Any** ~~increases~~ **increase** ~~. This~~ **in interest rates** could adversely affect the return on our assets, which might reduce our earnings and, in turn, cash available for distribution to our stockholders, potentially materially. Our existing and future financing arrangements and any debt securities we may issue could restrict our operations, limit our ability to pay dividends and expose us to additional risk. Our existing and future financing arrangements and any debt securities we may issue in the future are or will be governed by a credit agreement, indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock. We will bear the cost of issuing and servicing these credit facilities, arrangements or securities. These restrictive covenants and operating restrictions could have a material adverse effect on us, cause us to lose our REIT status, restrict our ability to finance or securitize new originations and acquisitions, force us to liquidate collateral and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders. We may enter into hedging transactions that could expose us to contingent liabilities in the future, which could materially and adversely affect us. Subject to maintaining our qualification as a REIT, part of our investment strategy may involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request the posting of margin to which it is contractually entitled under the terms of the hedging instrument). Our ability to fund a margin call will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could cause us to incur losses or otherwise materially and adversely affect us. The extent of our hedging activity will vary in scope based on, among other things, the level and volatility of interest rates, the type of assets held, types of liabilities and other market conditions. Although these transactions are intended to reduce our exposure to various risks, hedging may fail to adequately protect or could adversely affect us because, among other things: ~~•~~ hedging can be expensive, particularly during periods of volatile or rapidly changing interest rates; ~~•~~ available hedges may not correspond directly with the risks for which protection is sought; ~~•~~ the duration of the hedge may not match the duration of the related instrument for which protection is sought; ~~•~~ the amount of income that a REIT may earn from certain hedging transactions (other than through our TRSs) is limited by U. S. federal income tax provisions; ~~•~~ the credit quality of a hedging counterparty may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and ~~•~~ the hedging counterparty may default on its obligations. Title VII of the Dodd- Frank Act governs derivative transactions, including certain hedging instruments we may use in our risk management activities. Rules implemented by the U. S. Commodity Futures Trading Commission, or the CFTC, pursuant to the Dodd- Frank Act require, among other things, that certain derivatives be centrally cleared through a registered derivatives clearing organization, or DCO, and traded on a designated contract market or swap execution facility. These regulations could increase the operational and transactional cost of derivatives contracts in the form of intermediary fees and additional margin requirements imposed by DCOs and the clearing members of the DCOs through which we may clear derivatives, and affect the number and / or creditworthiness of available counterparties. Hedging instruments often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house, and involve risks and costs that could result in material losses. The cost of using hedging instruments increases as the period covered by the instrument lengthens. Although we may avoid substantial interest rate exposure by investing in floating rate mortgage loans, to the extent that we have interest rate exposure from fixed rate loans we may increase our hedging activity (and therefore our hedging costs) during periods of volatility. In addition, hedging instruments involve risk since they often are not traded on regulated exchanges or guaranteed by an exchange or its clearing house. In general, derivative transactions entered into directly with counterparties, rather than through an exchange, receive fewer regulatory protections than transactions entered into on an exchange. Furthermore, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. In addition, if the business of a hedging counterparty fails we may not only lose unrealized profits but also be forced to cover our forward commitments, if any, at the then current market price. Although we generally expect to have the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure you that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in material losses. We may fail to qualify for, or choose not to elect, hedge accounting treatment. We intend to account for derivative and hedging transactions in accordance with Financial Accounting Standards Board ~~, or~~ **(“** FASB ~~,~~ **”)** Accounting Standards Codification ~~, or~~ **(“** ASC ~~,~~ **”)** 815 **, Derivatives and Hedging (** “ ~~Derivatives and Hedging, ” or~~ ASC 815 **”)** . Under these standards, we may fail to qualify for, or choose not to elect, hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the ~~FASB~~ ASC 815 definition of a derivative (such as short sales), if we fail to satisfy the ~~FASB~~ ASC 815 hedge documentation and hedge effectiveness assessment requirements, or if our instruments are not highly effective. If we fail to qualify for, or choose not to elect, hedge accounting treatment, gains and losses on derivatives will be included in our operating results and may not be offset by a change in the fair value of the related hedged transaction or item. Our investments may be subject to fluctuations in interest rates that may not be adequately protected, or protected at all, by our hedging strategies. Though our primary strategy is to originate and acquire shorter term, floating rate loans, our investments may include loans with either floating interest rates or fixed interest rates. Floating rate investments earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically one- month ~~LIBOR or~~ SOFR). The coupons earned by the floating rate loans fluctuate based upon interest rate reference indices (again, typically one- month ~~LIBOR or~~ SOFR) and, in a declining and / or low interest rate environment, these loans will earn lower rates of interest and this will impact our operating performance. Fixed interest rate investments, however, do not have adjusting interest rates and the relative value of the fixed cash flows from these investments will decrease as prevailing interest rates rise or increase as prevailing interest rates fall, causing potentially significant changes in value. We may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. We believe that no strategy can completely insulate us from the risks associated with interest rate changes and there is a risk that they may provide no protection at all. Hedging transactions involve certain additional risks such as counterparty risk, leverage risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. **Furthermore, entering into hedging transactions may require certain levels of liquidity which may impact our ability to meet funding requirements necessary to meet our commitments to our borrowers and financing counterparties.** We cannot make assurances that we will be able to enter into hedging transactions or that hedging transactions will adequately protect us against the foregoing risks. Accounting for derivatives under GAAP is extremely complicated. Any failure by us to account for our derivatives properly in accordance with GAAP on our consolidated financial statements could adversely affect our earnings. In particular, cash flow hedges which are not perfectly correlated (and appropriately designated and / or documented as such) with variable rate financing will impact our reported income as gains and losses on the ineffective portion of the hedges. ~~On March 5, 2021, the Financial Conduct Authority of the United Kingdom, or the FCA, which regulates LIBOR' s administrator, ICE Benchmark Administration Limited, or IBA, announced that all LIBOR tenors relevant to us will cease to be published or will no longer be representative after June 30, 2023 indicating that, as a result of not having access to input data necessary to calculate LIBOR tenors relevant to us on a representative basis after June 30, 2023, the IBA would have to cease publication of such LIBOR tenors immediately after the last publication on June 30, 2023. The United States Federal Reserve has also advised banks to cease entering into new contracts that use U. S. dollar LIBOR as a reference rate. The Federal Reserve, in conjunction with the Alternative Reference Rate Committee, or the ARRC, a committee convened by the Federal Reserve that includes major market participants, has identified the Secured Overnight Financing Rate, or SOFR, a new index calculated by short- term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. To the extent our LIBOR- based borrowings are converted to SOFR, the differences between LIBOR and SOFR, and potential margin adjustments in connection with the transition, could result in higher interest costs for us, which could have a material adverse effect on our operating results. Although SOFR is the ARRC' s recommended replacement rate, it is also possible that lenders may instead choose and alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher interest costs for us. We cannot predict the effect of the decision not to sustain LIBOR, or the potential transition to SOFR or another alternative reference rate as LIBOR' s replacement. As of December 31, 2022, our loan portfolio included $ 7. 4 billion of floating rate loans for which the interest rate was tied to LIBOR or SOFR. Additionally, we had $ 5. 7 billion of floating rate debt tied to LIBOR or SOFR. To the extent that any relevant loan or debt instrument is outstanding at the time at which LIBOR is discontinued, its terms may provide for the relevant interest or payment calculations to be made by reference to an alternative benchmark rate or on some other basis. Our loan agreements relating to our investments and financing arrangements generally do provide for replacement reference rates in the event that LIBOR is no longer available or otherwise viable. Regardless, there can be no assurances as to what alternative base rates may be and whether such base rate will be more or less favorable than LIBOR and any other unforeseen impacts of the potential discontinuation of LIBOR. Any changes, reforms or replacements relating to LIBOR could increase our interest expense and could have an adverse impact on the market for or value of any LIBOR- linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, there could be a mismatch between the timing of adjusting the floating base rate from LIBOR to an alternative base rate up on the discontinuation of LIBOR, between our financing arrangements and our loan investments, which may have an immediate and significant adverse impact on our results of operations and cash flows and the market value of our investments. We are monitoring the developments with respect to the potential phasing out of LIBOR and are working with our lenders and borrowers to minimize the impact of any LIBOR transition on our financial condition and results of operations, but can provide no assurances regarding the impact of the discontinuation of LIBOR. For information on the steps we are taking with regard to the transition from LIBOR to alternative reference rates, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk — LIBOR Transition."~~ We may use securitizations to finance our investments and make investments in CMBS, CLOs, and other similar structured finance investments, which may expose us to risks that could result in losses. We may, to the extent consistent with our qualification as a REIT, seek to securitize certain of our loan portfolio investments. This would involve creating a special- purpose vehicle, contributing a pool of our assets to the entity, and selling interests in the entity on a non- recourse basis to purchasers (whom we would expect to be willing to accept a lower interest rate to invest in investment- grade loan pools) and may require us to retain a portion of the risk of the assets in accordance with risk retention laws and regulations, which would not allow us to sell or hedge our risk retention interests. We would expect to retain all or a portion of the equity in the securitized pool of portfolio investments. We may use short- term facilities to finance the acquisition of investments until sufficient eligible investments have been accumulated, at which time we would refinance these investments through a securitization, such as a CMBS, or issuance of CLOs, or the private placement of loan participations or other long- term financing. If we were to employ this strategy, we would be subject to the risk that we would not be able to acquire, during the period that our short- term facilities are available, sufficient eligible investments to maximize the efficiency of one of these financing strategies. We also would be subject to the risk that we would not be able to obtain short- term credit facilities or would not be able to renew any short- term credit facilities after they expire should we find it necessary to extend our short- term credit facilities to allow more time to seek and acquire sufficient eligible investments for a long- term financing. The inability to consummate securitizations of our loan portfolio to finance our investments on a long- term basis could require us to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could adversely affect our performance and our ability to grow our business. Additionally, a securitization transaction might magnify our exposure to losses because any equity interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. **A securitization transaction might also expose us to cash flow and liquidity risks if certain tests within the securitization vehicle are triggered, causing a sequential paydown of senior bonds from the principal and interest received from loans within the securitization.** Additionally, we may from time to time invest in subordinated classes of securities in a structure of securities secured by a pool of mortgages or loans. Accordingly, the securities are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and last or among the last to receive payment of interest and principal. Subordinate interests in securitized products generally are not actively traded and are relatively illiquid investments and volatility in trading markets for securitized products may cause the value of these investments to decline. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral value is available to satisfy interest and principal payments and any other fees in connection with the trust or other conduit arrangement for the securities, we may incur significant losses. With respect to the CMBS, CLOs and other securitized products in which we may invest, control over the related underlying loans will be exercised through a special servicer or collateral manager designated by a " directing certificate holder " or a " controlling class representative, " or otherwise pursuant to the related securitization documents. We may acquire classes of CMBS, CLOs or other securitized products, for which we may not have the right to appoint the directing certificate holder or otherwise direct the special servicing or collateral management. With respect to the management and servicing of those loans, the related special servicer or collateral manager may take actions that could materially and adversely affect our interests. We may be subject to losses arising from future guarantees of debt and contingent obligations of our subsidiaries, joint venture or co- investment partners or our borrowers. We may from time to time guarantee the performance of our subsidiaries' obligations, including ~~, but not limited to,~~ our repurchase agreements, credit facilities **, single- asset financings** , derivative agreements and unsecured indebtedness. We may also agree to guarantee indebtedness incurred by a joint venture or co- investment partner. A guarantee may be on a joint and several basis with our joint venture or co- investment partner, in which case we may be liable in the event the partner defaults on its guarantee obligation. The non- performance of these obligations may cause losses to us in excess of the capital we initially may have invested or committed under these obligations and there is no assurance that we will have sufficient capital to cover any losses. We are subject to counterparty risk associated with our hedging activities. We are subject to credit risk with respect to the counterparties to derivative contracts (whether a clearing corporation in the case of exchange- traded instruments or another third- party in the case of over- the- counter instruments). If a counterparty becomes insolvent or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience significant delays in obtaining any recovery under the derivative contract in a dissolution, assignment for the benefit of creditors, liquidation, winding- up, bankruptcy, or other analogous proceeding. In the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If we are owed this fair market value in the termination of the derivative transaction and its claim is unsecured, we will be treated as a general creditor of the counterparty, and will not have any claim with respect to the underlying security. We may obtain only a limited recovery or may obtain no recovery in these circumstances. In addition, the business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default, which may result in the loss of unrealized profits and force us to cover our commitments, if any, at the then current market price. Counterparty risk with respect to certain exchange- traded and over- the- counter derivatives may be further complicated by recently enacted U. S. financial reform legislation. If we enter into certain hedging transactions or otherwise invest in certain derivative instruments, failure to obtain and maintain an exemption from being regulated as a commodity pool operator by our Manager could subject us to additional regulation and compliance requirements, which could materially and adversely affect us. The Commodity Exchange Act, as amended, and rules promulgated thereunder by the CFTC, or the CFTC Rules, establish a comprehensive regulatory framework for certain derivative instruments, including swaps, futures, options on futures and foreign exchange derivatives, or Regulated CFTC Instruments. Under this regulatory framework, many mortgage REITs that trade in Regulated CFTC Instruments may be considered " commodity pools " and the operators of such mortgage REITs would accordingly be considered " commodity pool operators, " or CPOs. Absent an applicable exemption, a CPO of a mortgage REIT (which otherwise falls within the statutory definition of commodity pool) must register with the CFTC and become subject to CFTC Rules applicable to registered CPOs, including with respect to disclosure, reporting, recordkeeping and business conduct in respect of the mortgage REIT. We may from time to time, directly or indirectly, invest in Regulated CFTC Instruments, which may subject us to oversight by the CFTC. Our Manager expects to qualify for and rely upon relief from the CPO registration requirement in respect of us pursuant to the no- action relief issued in December 2012 by the CFTC staff to operators of qualifying mortgage REITs, and has submitted a claim for relief within the required time period. Our Manager expects to qualify for the no- action relief in respect of us on the basis that we satisfy the criteria specified in the CFTC no- action letter, in that we identify as a " mortgage REIT " for U. S. federal income tax purposes, our trading in Regulated CFTC Instruments does not exceed a certain de minimis threshold identified in the no- action relief and our interests are not marketed to the public as or in a commodity pool or other trading vehicle. There can be no assurance, however, that the CFTC will not modify or withdraw the no- action letter in the future or that we will be able to continue to satisfy the criteria specified in the no- action letter in order to qualify for relief from CPO registration. The CFTC Rules with respect to commodity pools may be revised, which may affect our regulatory status or cause us to modify or terminate the use of Regulated CFTC Instruments in connection with our investment program. If we were required to register as a CPO in the future or change our business model to ensure that we can continue to satisfy the requirements of the no- action relief, it could materially and adversely affect us. Furthermore, we may determine to register as a CPO hereafter, and in such event we will operate in a manner designed to comply with applicable CFTC requirements, which requirements may impose additional obligations and costs on us. The CFTC has substantial enforcement power with respect to violations of the laws over which it has jurisdiction. Among other things, the CFTC may suspend or revoke the registration of a person who fails to comply, prohibit such a person from trading or doing business with registered entities, impose civil monetary penalties, require restitution and seek fines or imprisonment for criminal violations. Additionally, a private right of action exists against those who violate the laws over which the CFTC has jurisdiction or who willfully aid, abet, counsel, induce or procure a violation of those laws. In the event we are unable to qualify for the no- action relief and fail to comply with the CFTC Rules, we may be unable to use Regulated CFTC Instruments or we may be subject to significant fines, penalties and other civil or governmental actions or proceedings, any of which could materially and adversely affect us. Our investment strategy, our investment guidelines, our target assets and our financing strategy may be changed without stockholder consent. The investment guidelines approved by our Board, and required to be followed by our Manager, are broad. Moreover, these guidelines, as well as our investment strategy, target assets, financing strategy and policies with respect to investments, originations, acquisitions, growth, operations, indebtedness, hedging, capitalization, distributions and other corporate matters may be changed at any time without the consent of our stockholders, subject to applicable law. This could result in changes to the risk profile of our investment portfolio over time. A change in our investment strategy may also increase our exposure to interest rate risk, default risk and real estate market fluctuations. Furthermore, a change in our target assets could result in our making investments in asset categories different from those described in this report. These changes could materially and adversely affect us. The laws and regulations governing our operations or those of our competitors, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. We may be required to adopt or suspend certain business practices as a result of any changes, which could impose additional costs on us, which could materially and adversely affect us. For example, as a result of the COVID- 19 pandemic, some government entities instituted moratoria on business activities, construction, evictions and foreclosures and rent cancellation. These measures and future measures of this kind may adversely affect us or our borrowers. Furthermore, if " regulatory capital " or " capital adequacy " requirements — whether under the Dodd- Frank Act, Basel III, or other regulatory action — are further strengthened or expanded with respect to lenders that provide us with debt financing, or were to be imposed on us directly, they or we may be required to limit or increase the cost of financing they provide to us or that we provide to others. Among other things, this could potentially increase our financing costs, reduce our ability to originate or acquire loans and reduce our liquidity or require us to sell assets at an inopportune time or price. In addition, various laws and regulations currently exist that restrict the investment activities of banks and certain other financial institutions **, including banks or other of our capital providers,** but do not apply to us, which we believe creates opportunities for us to originate loans and participate in certain other investments that are not available or attractive to these more regulated institutions. However, proposals for legislation that would change how the financial services industry is regulated are continually being introduced in the U. S. Congress and in state legislatures **, and such proposals could impact us as well as banks or other of our capital providers** . Federal financial regulatory agencies may adopt regulations and amendments intended to effect regulatory reforms including reforms to certain Dodd- Frank- related regulations. Prospective investors should be aware that changes in the regulatory and business landscape as a result of the Dodd- Frank Act and as a result of other current or future legislation and regulation may decrease the restrictions on banks and other financial institutions and allow them to compete with us for investment opportunities that were previously not available or attractive to, or otherwise pursued by, them, which could **reduce our access to capital and** have a material adverse impact on us. See " — Risks Related to Our Investments — We operate in a competitive market for the origination and acquisition of attractive investment opportunities and competition may limit our ability to originate or acquire attractive risk- adjusted investments in our target assets, which could have a material adverse effect on us. " Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non- bank financial sector will become subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it may take, increased regulation of non- bank lending could negatively impact our results of operations, cash flows and financial condition, impose additional costs on us or otherwise materially and adversely affect us. State licensing requirements will cause us to incur expenses and our failure to be properly licensed may have a material adverse effect on us. Some jurisdictions require non- bank companies to hold licenses to conduct lending activities. State licensing statutes vary from state to state and may prescribe or impose: various recordkeeping requirements; restrictions on loan origination and servicing practices, including limits on finance charges and the type, amount and manner of charging fees; disclosure requirements; requirements that licensees submit to periodic examination; surety bond and minimum specified net worth requirements; periodic financial reporting requirements; notification requirements for changes in principal officers, stock ownership or corporate control; restrictions on advertising; and requirements that loan forms be submitted for review. Obtaining and maintaining state licenses will cause us to incur expenses and failure to be properly licensed under state law or otherwise may have a material adverse effect on us. Actions of the U. S.

government, including the U. S. Congress, **U. S.** Federal Reserve, U. S. Treasury and other governmental and regulatory bodies, to stabilize or reform the financial markets, or market response to those actions, may not achieve the intended effect and could materially and adversely affect us. The Dodd- Frank Act imposes significant investment restrictions and capital requirements on banking entities and other organizations that are significant to U. S. financial stability. For instance, the Volcker Rule provisions of the Dodd- Frank Act impose significant restrictions on the proprietary trading activities of " banking entities " (as defined under the Volcker Rule) and on their ability to acquire or retain an " ownership interest " (as defined under the Volcker Rule) in, " sponsor " (as defined under the Volcker Rule) or have certain relationships with " covered funds " (as defined under the Volcker Rule), unless pursuant to an exclusion or exemption under the Volcker Rule. The Dodd- Frank Act also subjects non-bank financial companies that have been designated as " systemically important " by the Financial Stability Oversight Council to increased capital requirements and quantitative limits for engaging in such activities, as well as consolidated supervision by the Board of Governors of the **U. S.** Federal Reserve System. In addition, the Dodd- Frank Act seeks to reform the asset- backed securitization market (including the mortgage- backed securities, or MBS, market) by requiring the retention of a portion of the credit risk inherent in each pool of securitized assets and by imposing additional registration and disclosure requirements. Rules of federal regulators that implement the Dodd- Frank Act' s risk retention requirements generally require sponsors of asset-backed securities to retain at least 5 % of the credit risk relating to the assets that underlie each issuance of such securities. These rules apply to securitization transactions backed by all types of self- liquidating financial assets, including residential and commercial loans and leases. While the full impact of such rules, the Dodd- Frank Act as a whole and other like- minded regulatory actions and potential actions cannot be fully assessed in the immediate term with respect to our business, they may adversely affect the availability or terms of financing from our lender counterparties whether or not they benefit our business in other ways (such as by causing more CRE borrowers to seek financing from non- bank lenders like us, which could lead to improved pricing). Recent and future legislative and regulatory developments, such as amendments to key provisions of the Dodd- Frank Act and regulations thereunder, including provisions implementing the Volcker Rule and provisions setting forth capital and risk retention requirements may have an impact on the financial markets and financial services industry. For example, in June 2020, U. S. federal regulatory agencies amended the Volcker Rule' s restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by adopting new exemptions allowing banking entities to sponsor and invest in credit funds, venture capital funds, customer facilitation funds and family wealth management vehicles. The amendments also reduced certain restrictions on extraterritorial fund activities and direct parallel or co- investments made alongside covered funds. The amendments will therefore expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences on our business remain uncertain and no assurances can be given whether these actions could have a material adverse effect on our results of operations, liquidity and financial condition. **Furthermore, such recent and future legislative and regulatory developments imposed on our financing counterparties may make it more difficult for us to maintain and obtain financing arrangements, which could have a material and adverse impact on us.** Operational risks, including the risk of cyberattacks, may disrupt our businesses, result in losses and limit our growth. We rely heavily on our Sponsor' s financial, accounting, treasury, communications and other data processing systems. These systems may fail to operate properly or become disabled as a result of tampering or a breach of the network security systems or otherwise. In addition, these systems are from time to time subject to cyberattacks, which may continue to increase in sophistication and frequency in the future. Attacks on us and our Sponsor' s and service providers' systems could involve attempts that are intended to obtain unauthorized access to our proprietary information or personal ~~identifying~~ information of our stockholders or borrowers (and their beneficial owners), destroy data or disable, degrade or sabotage our systems, including through the introduction of computer viruses and other malicious code **. Such incidents could arise from a range of vectors, such as social engineering / phishing, company insiders, suppliers or providers, and as a result of human or technological error, including misconfigurations, bugs, or other vulnerabilities in software and hardware** . Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Our information and technology systems as well as those of our Sponsor and other related parties, such as service providers, may be vulnerable to damage or interruption from cybersecurity breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. As a result of the increased demand for remote working arrangements and our general reliance on internet technology, which may create additional opportunities for **cyber** ~~cybercriminals~~ ----- **criminals** to exploit vulnerabilities, we may face increased cybersecurity risks. Cyberattacks and other security threats could originate from a wide variety of sources, including cyber criminals, ~~nation~~ state **- sponsored** hackers, hacktivists and other outside parties. There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us or our Sponsor because we hold a significant amount of confidential and sensitive information. As a result, we and our Sponsor may face a heightened risk of a security breach or disruption with respect to this information. If successful, these types of attacks on our or our Sponsor' s network or other systems could have a material adverse effect on us, due to, among other things, the loss of investor or proprietary data, interruptions or delays in the operation of our business and damage to our reputation. **The costs to mitigate network security problems, bugs, viruses, worms, malicious software programs, and security vulnerabilities could be significant and are likely to increase in the future.** ~~There~~ **These costs include, but are not limited to, retaining the services of cybersecurity providers; compliance costs arising out of existing and future cybersecurity, data protection and privacy laws and regulations; and costs related to maintaining redundant networks, data backups and other damage- mitigation measures. While our Sponsor is generally responsible for such costs in the first instance, we have indemnified the**

Sponsor for certain losses that it may incur in connection with the operation of the Company' s business. Regardless, there can be no assurance that measures we or our Sponsor takes to ensure the integrity of our systems will provide protection, especially because cyberattack techniques used change frequently **,** or ~~are~~ **may** not **be** recognized until successful **, and are becoming more sophisticated – including by use of artificial intelligence – that circumvent security controls, evade detection and remove forensic evidence. As a result, we or our Sponsor may be unable to detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our information systems, confidential information or business** . If unauthorized parties gain access to this information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including non- public personal information related to stockholders or borrowers (and their beneficial owners) and material non- public information. Although we and our Sponsor have implemented, and our service providers may implement, various measures to manage risks relating to these types of events, these systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. We do not control the cybersecurity plans and systems put in place by third- party service providers, and these third- party service providers may have limited indemnification obligations to us or our Sponsor, each of which could be negatively impacted as a result. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material non- public information and the intellectual property and trade secrets and other sensitive information in the possession of us or our Manager. We could be required to make a significant investment to remedy the effects of any failures, harm to our reputations, legal claims that we and our Manager may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity and other events that may materially and adversely affect us. In addition, our business highly depends on information systems and technology. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. **Although we maintain insurance policies, we cannot be certain that any or all of the costs and liabilities incurred in relation any cybersecurity attack or incident will be covered or that applicable insurance will be available to us in the future on economically reasonable terms or at all.** Many jurisdictions in which we operate have laws and regulations relating to data privacy, cybersecurity and protection of personal information. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our or our Manager' s, its employees', or our investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our or our investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we or our Manager fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our investors to lose confidence in the effectiveness of our or our Manager' s security measures. **Indeed, any adverse impact to the availability, integrity or confidentiality of our information systems or confidential information can result in legal claims or proceedings (such as class actions), regulatory investigations and enforcement actions, fines and penalties, negative reputational impacts that cause us to lose existing or future customers, and / or significant incident response, system restoration or remediation and future compliance costs. Any or all of the foregoing could materially adversely affect our business, operating results, and financial condition.** A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could have a material adverse impact on our ability to continue to operate our business without interruption. Our and our Sponsor' s disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all. Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our ability to timely prepare consolidated financial statements, which could materially and adversely affect us. Accounting rules for transfers of financial assets, securitization transactions, ~~loan~~ **credit** loss reserves and other potential aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our stockholders ~~, including as a result of an increase in the number of loan modifications that we have processed and expect to process in the future due to the COVID- 19 pandemic~~ . Changes in accounting interpretations or assumptions could impact our consolidated financial statements and our ability to timely prepare consolidated financial statements that accurately reflect our financial condition, cash flows and results of operations in accordance with prevailing accounting standards. Our inability to timely prepare our consolidated financial statements in the future could materially and adversely affect us. Risks Related to Our Relationship with Our Manager and its Affiliates Our future success depends on our Manager and its access to the key personnel and investment professionals of our Sponsor and its affiliates. We are externally managed and advised by our Manager, an investment adviser registered with the SEC pursuant to the Advisers Act. We have no direct employees or facilities. We rely completely on our Manager and its affiliates to provide us with investment advisory services, which, in the case of our Manager' s affiliates, are provided to our Manager pursuant to a services agreement with MRECS. Our Manager is an affiliate of MRECS and all of our officers are employees or principals of MRECS or its affiliates. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success depends to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the officers, key personnel and investment professionals of our Sponsor and its affiliates, including our Manager. Our Manager, through the officers, key personnel and investment professionals of our Sponsor and its other affiliates, will evaluate, negotiate, close and monitor our investments and advise us regarding maintenance of our REIT status and exclusion from registration under the 1940 Act; therefore, our success depends on their continued service. The departure of any of the officers, key personnel or investment professionals of our Sponsor or its affiliates could have a material adverse effect on us and our operations and / or subject us to compensation- related claims in connection with our 2016 Incentive Award Plan (the " 2016 Plan "). We offer no assurance that our Manager will remain our investment manager or that we will continue to have access to the officers, key personnel and investment professionals of our Sponsor and its affiliates. The term of the Management Agreement with our Manager provides for automatic one- year renewals of the agreement following its original expiration date, unless it is otherwise terminated by our Board. If the Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our investment strategy, which would materially and adversely affect us. The personnel providing services to our Manager are not required to dedicate a specific portion of their time to the management of our business. Neither our Sponsor nor any of its other affiliates is obligated to dedicate any specific personnel exclusively to our Manager, and in turn to us, nor will it or its personnel be obligated to dedicate any specific portion of their time to the management of our business other than the portion of our Manager' s time as is necessary and appropriate for our Manager to perform its services under the Management Agreement. As a result, we cannot provide any assurances regarding the amount of time our Manager or its affiliates will dedicate to the management of our business and our Manager and its affiliates may have conflicts in allocating its time, resources and services among our business and any other investment vehicles and accounts our Manager or its affiliates or their respective personnel may manage. Each of our officers is also an employee or principal of MRECS or its affiliates, who has now or may be expected to have significant responsibilities for other investment vehicles, whether focused on credit or equity investments, currently or in the future managed by our executive officers, our Manager or its affiliates. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed. Our Manager and its affiliates are not restricted from entering into other investment advisory relationships or from engaging in other business activities from time to time. Our Manager manages our loan portfolio pursuant to very broad investment guidelines and is not required to seek the approval of our Board for investment decisions where certain criteria are met, which may result in riskier decisions that could cause investment returns to be substantially below expectations including the potential for material losses. Our Manager is authorized to follow very broad investment guidelines that provide it with broad discretion over investment, financing, asset allocation and hedging decisions. Our Board will periodically review our investment guidelines and our loan and investment portfolio but will not, and will not be required to, review and approve in advance all of our proposed loans and investments or ~~the~~ **our** Manager' s financing, asset allocation or hedging decisions. In addition, in conducting periodic reviews, our directors may rely primarily on information provided to them by our Manager or its affiliates. Subject to maintaining our REIT qualification and our exclusion from regulation under the 1940 Act, our Manager has significant latitude within the broad investment guidelines in determining the types of loans and investments it makes for us, and how such loans and investments are financing or hedged, which could result in investment returns that are substantially below expectations or that result in losses, which could adversely affect our results of operations and financial condition. We may compete with other investment vehicles managed by our Sponsor or its affiliates, including our Manager, or have other conflicts of interest with our Sponsor or its affiliates, including our Manager, which may result in decisions that are not in the best interests of our stockholders. From time to time, we may compete with other investment vehicles managed by our Sponsor or its affiliates, including our Manager, or our interests may conflict with those of our Sponsor or its affiliates including our Manager. Representatives of our Sponsor also serve on our Board. Certain of our pre- IPO stockholders have representatives on our Board. In addition, certain of our pre-IPO stockholders have an ownership position in our Manager. There can be no assurance that we will be able to adopt policies and procedures that adequately identify and address all of the conflicts of interest that may arise. Some examples of potential conflicts include: ~~•~~Broad and Wide- Ranging Activities. Our Sponsor and its affiliates, including our Manager, engage in a broad spectrum of activities in the real estate industry. One or more of our Sponsor' s affiliates may have an investment strategy similar to ours, and therefore may engage in competing activities with us or otherwise may have business interests that conflict with ours. ~~•~~Allocation of Investment Opportunities. Certain inherent conflicts of interest arise from the fact that our Sponsor, and its affiliates, including our Manager, will provide investment management and other services both to us and other investment vehicles or accounts they manage. Our Sponsor and its affiliates, including our Manager, are not restricted from entering into other investment advisory relationships or from engaging in other business activities from time to time. Our Sponsor and its affiliates, including our Manager, are not legally prohibited from forming or managing investment vehicles or accounts that would have an investment strategy that is substantially similar to our core investment strategy and, regardless, the existing and future investment vehicles or accounts managed by our Sponsor or its affiliates may from time to time invest in assets that overlap with our target assets. If any such situation arises, investment opportunities may be allocated between us and the other investment vehicles or accounts in a manner that may result in fewer investment opportunities being allocated to us than would have otherwise been the case. Our Sponsor and its affiliates may also give advice to other sponsored vehicles or accounts that differs from advice given to us by our Manager even if the underlying investment objectives are similar. While our Sponsor and its affiliates will seek to manage potential conflicts of interest in a fair and equitable manner, the strategies employed by our Sponsor and its affiliates in managing other sponsored vehicles or accounts could conflict with the strategies employed by our Manager in managing our business. The business decisions of our Sponsor and its other affiliates with respect to other investment vehicles or accounts may adversely affect the marketability, exit strategy, prices and availability of the assets in which we invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both us and other investment vehicles or accounts sponsored by our Sponsor or its affiliates, which may result in us not participating in certain investment opportunities in which we would have otherwise participated. Additionally, we are not precluded from entering into other third- party joint ventures or additional co- investment arrangements that have the effect of diluting our stockholders ~~'~~ ' beneficial interest in certain of our investments. Consequently, a stockholder' s indirect economic interest in each investment, expressed as a percentage of the overall economic interests in the investments, may vary substantially. Economically, certain investors may have more or less opportunity to profit or exposure to losses with respect to each investment. ~~•~~Variation in Financial and Other Benefits. A conflict of interest could arise where the financial or other benefits available to our Manager or its affiliates (including our pre- IPO stockholders who hold an ownership position in our Manager) differ among the accounts, clients, entities, funds and / or investment companies, including us, which we refer to collectively as Clients, that they manage. If the amount or structure of the base management fee, incentive fee and / or other fees payable to our Sponsor or its affiliates differs among Clients, or if our Sponsor establishes management entities other than our Manager that do not include similar third- party ownership or participation interests, our Sponsor or its affiliates might be motivated to prioritize more lucrative Clients over others, including us. Similarly, the desire to maintain assets under management or to enhance our Sponsor' s performance record or to derive other rewards, financial or otherwise, could cause our Sponsor or its affiliates to afford preferential treatment to those Clients that could most significantly benefit our Sponsor, which may not include us. Our Sponsor or its affiliates may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor those Clients. Additionally, our Sponsor or its affiliates or their respective personnel might be motivated to favor Clients in which it or they have the most significant direct or indirect ownership interest, which might consist of Clients other than us. ~~•~~Service Providers. Our service providers (including lenders, brokers, attorneys, and investment banking firms) may be sources of investment opportunities, counterparties therein or advisors with respect to those investment opportunities. This may influence our Manager in deciding whether to select a particular service provider. In addition, some service providers may be unavailable to us as a result of conflicts relating to other businesses of our Sponsor or its affiliates, including our Manager, and their respective transactions. ~~•~~Material, Non- Public Information. We, directly or through our Manager and its affiliates, may come into possession of material non- public information with respect to an issuer or borrower in which we have invested or may invest. Should this occur, our Manager may be restricted from buying or selling securities, derivatives or loans of the issuer or borrower on our behalf until such time as the information becomes public or is no longer deemed material. Disclosure of information to the personnel responsible for management of our business may be on a need- to- know basis only, and we may not be free to act upon any of that information. Therefore, we and / or our Manager may not have access to material non- public information in the possession of our Sponsor or its other affiliates which might be relevant to an investment decision to be made by our Manager on our behalf, and our Manager may initiate a transaction or purchase or sell an investment which, if the information had been known to it, may not have been undertaken. Due to these restrictions, our Manager may not be able to initiate a transaction on our behalf that it otherwise might have initiated and may not be able to purchase or sell an investment that it otherwise might have purchased or sold, which could negatively affect us. ~~•~~Possible Future Activities. Our Sponsor and its affiliates, including our Manager, may expand the range of services that they provide over time. Except as and to the extent expressly provided in the Management Agreement and as they may expressly agree in writing, our Sponsor and its affiliates will not be restricted in the scope of their business or in the performance of any services (whether now offered or undertaken in the future) even if these activities could give rise to conflicts of interest, and whether or not the conflicts are specifically described herein. ~~•~~Transactions with Other Vehicles or Accounts Managed by our Sponsor or its Affiliates. Though not currently expected, from time to time, we may enter into transactions with other vehicles or accounts managed by our Sponsor or its affiliates. These transactions will be conducted in accordance with the Management Agreement (including the requirement that the transactions be approved by us) and applicable laws and regulations . The structure of our Manager' s fees may not create effective incentives and may cause our Manager to make riskier investments. We will pay our Manager base management fees irrespective of the performance of our investments. That may reduce our Manager' s incentive to devote sufficient effort to seeking attractive investment opportunities as compared to an arrangement in which all fees are performance- based. In addition, because the base management fees are based upon ~~stockholders'~~ equity, our Manager may be incentivized to increase our equity even if doing so would dilute potential returns for our existing stockholders. On the other hand, our Manager is also entitled to receive incentive fees based on our quarterly performance. These incentive fees may lead our Manager to place undue emphasis on the maximization of short- term net income at the expense of effective risk management in order to achieve higher incentive fees (for example, by causing our Manager to underwrite investments that are generally riskier and more speculative and / or by being unduly aggressive in deploying capital such that we fail to maintain adequate liquidity). This could result in increased risk to our loan portfolio. Accordingly, the structure of our Manager' s fees may fail to promote effective alignment of interests between our Manager and us at any given time, which could materially and adversely affect us. Termination of the Management Agreement would be costly. Termination of the Management Agreement would be costly. If we default in the performance or observance of any material term, condition or covenant contained in the Management Agreement and our Manager terminates the Management Agreement, the Management Agreement provides that we will pay our Manager a termination fee equal to three times the sum of the average annual base management fee and the average annual incentive fee earned during the 24- month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. Our Manager' s liability is limited under the Management Agreement and we have agreed to indemnify our Manager against certain liabilities. Pursuant to the Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our Board in following or declining to follow its advice or recommendations. Under the terms of the Management Agreement, our Manager, its officers, stockholders, members, managers, directors, employees, consultants and personnel and any person controlling or controlled by our Manager and any of those person' s officers, stockholders, members, managers, directors, employees, consultants and personnel and any person providing sub- advisory services to our Manager will not be liable to us, any subsidiary of ours, our Board, our stockholders or any subsidiary' s stockholders, members or partners for acts or omissions (including market movements or trade errors that may result from ordinary negligence, such as errors in the investment decision- making process or in the trade process) performed in accordance with and pursuant to the Management Agreement, except because of acts or omissions constituting fraud or gross negligence in the performance of our Manager' s duties under the Management Agreement or our Manager' s material breach of the Management Agreement, as determined by a judgment at first instance of a court of competent jurisdiction. We have agreed to indemnify our Manager, its officers, stockholders, members, managers, directors, employees, consultants, personnel, any person controlling or controlled by our Manager and any of those person' s officers, stockholders, members, managers, directors, employees, consultants and personnel and any person providing sub- advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts or omissions of our Manager or such person made in good faith in the performance of our Manager' s duties under the Management Agreement and not constituting fraud or gross negligence in the performance of our Manager' s duties under the Management Agreement. As a result, we could experience poor performance or losses for which our Manager would not be liable. Risks Related to Our Common Stock We have not established a minimum dividend payment level, and we may be unable to generate sufficient cash flows from our operations to pay dividends to our stockholders at any time in the future at a particular level, or at all, which could materially and adversely affect us. We are generally required to annually distribute to our stockholders at least 90 % of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, for us to qualify as a REIT, which requirement we currently intend to satisfy through quarterly distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. Our ability to pay dividends may be adversely affected by a number of factors, including due to the risk factors described in this report. Any distributions we make to our stockholders will be at the discretion of our Board and will depend upon our historical and anticipated REIT taxable income, results of operations, financial condition, liquidity, financing agreements (including covenants), maintenance of our REIT qualification, our exclusion from registration under the 1940 Act, applicable provisions of the **Maryland General Corporation Law ("** MGCL **")** and such other factors as our Board deems relevant. We believe that a change in any one of the following factors could adversely impair our ability to pay dividends to our stockholders: • our ability to make investments that generate attractive risk- adjusted returns; • margin calls, obligations to accelerate repayment of financings or other expenses that reduce our cash flow; • defaults in our portfolio or decreases in the value of our portfolio • **; and** the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates. As a result, no assurance can be given that we will be able to pay dividends to our stockholders at any time in the future or that the level of any distributions we do make to our stockholders will achieve our targeted yield or increase or even be maintained over time, any of which could materially and adversely affect us. Common stock eligible for future sale may have adverse effects on the market price of our common stock. The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. In addition, our common stock ownership is fairly concentrated which somewhat limits the liquidity of the market of our stock. We can give no assurance that there will be greater liquidity in the trading market for our common stock in the future. If there is a limited liquidity in the trading market for our common stock, a sale of a large number of shares or four common stock could be adversely disruptive to the market price of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. We have filed a registration statement on Form S- 3 registering the resale of 16, 058, 983 shares of our common stock held by certain pre- initial public offering stockholders. These shares are freely tradable without compliance with Rule 144. We have also filed a registration statement on Form S- 8 registering shares of our common stock subject to issuance under the 2016 Plan. Shares covered by this registration statement are eligible for sale in the public market and subject to the Rule 144 limitations applicable to affiliates and vesting of such shares, as applicable. The issuance of these shares and their subsequent sale could cause the market price of our common stock to decline. The market price of shares of our common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of shares of our common stock or other equity securities. Risks Related to Our Organization and Structure Avoiding the need to register under the 1940 Act imposes significant limits on our operations. Your investment return may be reduced if we are required to register as an investment company under the 1940 Act. We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. Section 3 (a) (1) (A) of the 1940 Act defines an investment company as any issuer that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3 (a) (1) (C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 % of the value of such issuer' s total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40 % test. Excluded from the term " investment securities, " among other things, are U. S. government securities and securities issued by majority- owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of " investment company " set forth in Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act. We are organized as a holding company and conduct our businesses primarily through our subsidiaries. We intend to conduct our operations so that we comply with the 40 % test. The securities issued by any wholly- owned or majority- owned subsidiaries that we may form in the future that are excepted from the definition of " investment company " based on Section 3 (c) (1) or Section 3 (c) (7) of the 1940 Act, together with any other investment securities we may own, may not have a value in excess of 40 % of the value of our total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe that we will not be considered an investment company under Section 3 (a) (1) (A) of the 1940 Act because we will not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our subsidiaries, we are primarily engaged in non- investment company businesses related to real estate. The determination of whether an entity is a majority- owned subsidiary of our company is made by us. The 1940 Act defines a majority- owned subsidiary of a person as a company 50 % or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority- owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. Generally, we treat companies in which we own at least a majority of the outstanding voting securities as majority- owned subsidiaries for purposes of the 40 % test. We have not requested that the SEC or its staff approve our treatment of any company as a majority- owned subsidiary, and neither the SEC nor its staff has done so. If the SEC or its staff were to disagree with our treatment of one or more companies as majority- owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40 % test. Any such adjustment in our strategy or assets could have a material adverse effect on us. We expect certain of our subsidiaries to qualify for the exclusion from the definition of " investment company " pursuant to Section 3 (c) (5) (C) of the 1940 Act, which is available for certain entities " primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. " To qualify for the exclusion pursuant to Section 3 (c) (5) (C), based on positions set forth by the staff of the SEC, each such subsidiary generally is required to hold (i) at least 55 % of its assets in qualifying real estate assets and (ii) at least 80 % of its assets in qualifying real estate assets and real estate- related assets. For our majority- or wholly- owned subsidiaries that will maintain this exclusion or another exclusion or exception under the 1940 Act (other than Section 3 (c) (1) or Section 3 (c) (7) thereof), our interests in these subsidiaries will not constitute " investment securities. " We expect each of our subsidiaries relying on Section 3 (c) (5) (C) to rely on guidance published by the SEC staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate- related assets. Specifically, based on certain no- action letters and other guidance issued by the SEC staff, we expect to treat certain mortgage loans, mezzanine loans, subordinated mortgage interests and certain other assets that represent an actual interest in CRE or are a loan or lien fully secured by CRE as qualifying real estate assets. On the other hand, we expect to treat certain other types of mortgages, securities of REITs and certain other indirect interests in CRE as real estate- related assets. The SEC staff has not, however, published guidance with respect to the treatment of some of these assets under Section 3 (c) (5) (C). To the extent the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy or assets accordingly. There can be no assurance that we will be able to maintain this exclusion from registration for certain of our subsidiaries. In addition, we may be limited in our ability to make certain investments, and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold. We may hold a portion of our investments through partnerships, joint ventures, securitization vehicles or other entities with third- party investors. In connection with any such investment, and consistent with no- action letters and other guidance issued by the SEC staff addressing the classification of such investments for 1940 Act purposes, we generally intend to be active in the management and operation of any such entity and have the right to approve major decisions. We will not participate in joint ventures or similar arrangements in which we do not have or share control to the extent that we believe such participation would potentially threaten our ability to conduct our operations so that we comply with the 40 % test or would otherwise potentially render any of our subsidiaries seeking to rely on Section 3 (c) (5) (C) unable to rely on such exclusion. It is possible that some of our subsidiaries may seek to rely on the 1940 Act exemption provided to certain structured financing vehicles by Rule 3a- 7. Any such subsidiary would need to be structured to comply with any guidance that may be issued by the Division of Investment Management of the SEC on the restrictions contained in Rule 3a- 7. In certain circumstances, compliance with Rule 3a- 7 may require, among other things, that the indenture governing the subsidiary include limitations on the types of assets the subsidiary may sell or acquire out of the proceeds of assets that mature, are refinanced or otherwise sold, on the period of time during which such transactions may occur, and on the level of transactions that may occur. We expect that the aggregate value of our interests in subsidiaries that may in the future seek to rely on Rule 3a- 7, if any, will comprise less than 20 % of our total assets on an unconsolidated basis. We intend to conduct our operations so that we will not be deemed to be an investment company. However, if we were deemed to be an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations. Any change in the interpretive positions of the SEC or its staff with respect to Section 3 (c) (5) (C) of the 1940 Act could have a material adverse effect on us. In general, the SEC staff takes the position that a qualifying real estate asset is an asset that represents an actual interest in real estate or is a loan or lien fully secured by real estate. The SEC staff also takes the position that an asset that can be viewed as being the functional equivalent of, and provide its holder with the same economic experience as, a direct investment in real estate (or in a loan or lien fully secured by real estate) may be considered to be a qualifying real estate asset for purposes of Section 3 (c) (5) (C). On the other hand, the SEC staff generally takes the position that an asset is not a qualifying real estate asset for purposes of Section 3 (c) (5) (C) if it is an interest in the nature of a security in another person engaged in the real estate business (e. g., fractionalized interests in individual or pooled mortgages). The interpretive positions of the SEC or its staff may change. For example, on August 31, 2011, the SEC issued a concept release and request for comments regarding the exclusion provided by Section 3 (c) (5) (C) (Release No. IC- 29778) in which it contemplated the possibility of issuing new rules or providing new interpretations of the exemption that might, among other things, define the phrase " liens on and other interests in real estate " or consider sources of income in determining a company' s " primary business. " To the extent the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy or assets accordingly. There can be no assurance that we will be able to maintain this exclusion from registration for certain of our subsidiaries. In addition, we may be limited in our ability to make certain investments, and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold. As a consequence of our seeking to avoid the need to register under the 1940 Act on an ongoing basis, we and / or our subsidiaries may be restricted from making certain investments or may structure investments in a manner that would be less advantageous to us than would be the case in the absence of such requirements. For example, these restrictions will limit the ability of our subsidiaries to invest directly in CMBS that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset- backed securities, and equity interests in real estate companies or in assets not related to real estate. Further, the mortgage- related investments that we acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated thereunder. We also may be required at times to adopt less efficient methods of financing certain of our mortgage- related investments, and we may be precluded from acquiring certain types of mortgage- related investments. Additionally, Section 3 (c) (5) (C) of the 1940 Act prohibits us from issuing redeemable securities. If we fail to qualify for an exemption from registration as an investment company under the 1940 Act or an exclusion from the definition of an investment company, our ability to use leverage would be substantially reduced, and we would not be able to conduct our business as described in this report. No assurance can be given that the SEC staff will concur with our classification of our or our subsidiaries' assets or that the SEC staff will not, in the future, issue further guidance that may require us to reclassify those assets for purposes of qualifying for an exclusion or exemption from registration under the 1940 Act. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the definition of " investment company " and the exclusions or exceptions to that definition, we may be required to adjust our investment strategies accordingly. Additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the investment strategies we have chosen. If the SEC or its staff take a position contrary to our view with respect to the characterization of any of the assets or securities we invest in, we may be deemed an unregistered investment company. Therefore, in order not to be required to register as an investment company, we may need to dispose of a significant portion of our assets or securities or acquire significant other additional assets that may have lower returns than our expected portfolio, or we may need to modify our business plan to register as an investment company, which would result in significantly increased operating expenses and would likely entail significantly reducing our indebtedness, which could also require us to sell a significant portion of our assets, which would likely reduce our profitability. We cannot assure you that we would be able to complete these dispositions or acquisitions of assets, or deleveraging, on favorable terms, or at all. Consequently, any modification of our business plan could have a material adverse effect on us. There can be no assurance that we and our subsidiaries will be able to successfully avoid operating as an unregistered investment company. If the SEC determined that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would potentially be unable to enforce contracts with third parties and that third parties could seek to obtain rescission of transactions undertaken during the period for which it was established that we were an unregistered investment company. Any of these results would have a material adverse effect on us. Since we will not be subject to the 1940 Act, we will not be subject to its substantive provisions, including ~~but not limited to,~~ provisions requiring diversification of investments, limiting leverage and restricting investments in illiquid assets. Rapid changes in the values of our other real estate- related investments may make it more difficult for us to maintain our qualification as a REIT or exclusion from registration under the 1940 Act. If the market value or income potential of real estate- related investments declines as a result of increased interest rates, prepayment rates or other factors, we may need to increase our real estate investments and income and / or liquidate our non- qualifying assets in order to maintain our REIT qualification or exclusion from registration under the 1940 Act. If the decline in real estate asset values and / or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non- qualifying assets that we may own. We may have to make investment decisions that we otherwise would not make absent the REIT and 1940 Act considerations, which could materially and adversely affect us. Our rights and the rights of our stockholders to recover on claims against our directors and officers are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses. Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law. In addition **,** our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to: (a) any present or former director or officer who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity; or (b) any individual who, while a director or officer of the Company and at our request, serves or has served as a director, officer, partner, member, manager, trustee, employee or agent of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity. We also are permitted to purchase and maintain insurance or provide similar protection on behalf of any directors, officers, employees and agents, including our Manager and its affiliates, against any liability asserted which was incurred in any such capacity with us or arising out of that status. This may result in us having to expend significant funds, which will reduce the available cash for distribution to our stockholders. Our charter contains provisions that are designed to reduce or eliminate duties of our non- employee directors with respect to corporate opportunities and competitive activities. Our charter contains provisions designed to reduce or eliminate duties of our non- employee directors and any person our non- employee directors control to refrain from competing with us or to present to us business opportunities that otherwise may exist in the absence of such charter provisions. Under our charter, our non- employee directors or their affiliates will not be obligated to present to us opportunities unless those opportunities are expressly offered to such person in his or her capacity as a director of our company and those persons will be able to engage in competing activities without any restriction imposed as a result of their status as directors of our company. Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management or ownership. Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, directors may be removed from office with or without cause, but only upon the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast generally in the election of directors; provided that consent of the Almanac Realty Investors business unit of NB Alternatives Advisor LLC (“ Almanac ”) shall also be required to remove any director that is a designee of Almanac. Vacancies on our Board, whether resulting from an increase in the number of directors or otherwise, will be filled by a majority vote of the remaining directors; provided that for so long as Almanac directly or indirectly owns 4. 9 % or more of the outstanding shares of our common stock and for so long as Fuyou Investment Management Limited (“ Fuyou ”) is an affiliate of Ping An Insurance (Group) Company of China, Ltd. (“ Ping An ”) and Fuyou, together with other affiliates of Ping An, owns 4. 9 % or more of the outstanding shares of common stock, respectively, if a vacancy on our Board occurs at any time with respect to any director that was designated for nomination by either Almanac or Fuyou, then a new designee of Almanac or Fuyou, as the case may be, will be nominated for election to serve, and will be elected, as a new director in accordance with our organizational documents. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of the Company that is in the best interests of our stockholders. Our charter does not permit any person to own more than (a) 9. 6 %, in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock, or (b) 9. 6 % in value of the aggregate of the outstanding shares of our **capital stock, and any attempt to acquire shares of our** common stock **or** ~~, and~~ any ~~attempt to acquire shares~~ of ~~our common stock or~~ **our capital** ~~any of our common~~ stock in excess of these ownership limits will not be effective without a prior exemption by our Board. For us to qualify as a REIT under the Code, not more than 50 % of the value of our outstanding stock may be owned directly or indirectly, by five or fewer individuals during the last half of a taxable year. “ Individuals ” for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. For the purpose of preserving our qualification as a REIT for federal income tax purposes, our charter prohibits beneficial or constructive ownership by any person of more than a certain percentage, currently 9. 6 %, in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock or more than a certain percentage, currently 9. 6 %, in value of the aggregate of the outstanding shares of our ~~common~~ **capital** stock. The constructive ownership rules are complex and may cause shares of the outstanding common stock owned by a group of related individuals or entities to be deemed to be constructively owned by another individual or entity. As a result, the acquisition of less than 9. 6 % of our outstanding shares of common stock or our ~~common~~ **capital** stock by an individual or entity could cause another individual or entity to own constructively in excess of 9. 6 % of our outstanding shares of common stock or our ~~common~~ **capital** stock, respectively, and thus violate one of the ownership limits. Any attempt to own or transfer shares of our common stock in violation of the ownership limits without the consent of our Board will result in either (a) the transfer of the shares in question to a trust for the exclusive benefit of a charitable beneficiary, or (b) the transfer being void, with the ultimate determination depending on the circumstances surrounding the transfer in question. In either case, the purported transferee shall acquire no rights in any shares purported to be transferred in excess of the ownership limits. The ownership limits may have the effect of precluding a change in control of us by a third- party, even if the change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of shares of our common stock (and even if the change in control would not reasonably jeopardize our REIT status). The exemptions to the ownership limit granted to date may limit our Board’ s power to increase the ownership limit or grant further exemptions in the future. Our bylaws designate certain Maryland courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the U. S. District Court for the District of Maryland, Northern Division, shall be the sole and exclusive forum for the following: any derivative action or proceeding brought on our behalf, other than actions arising under U. S. federal securities laws; and any Internal Corporate Claim, as such term is defined in the MGCL, or any successor provision thereof, including, without limitation (i) any action asserting a claim of breach of any duty owed by any of our present or former directors, officers or other employees to the corporation or to our stockholders; (ii) any action asserting a claim against us or any of our present or former directors, officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws; or (iii) any action asserting a claim against us or any of our present or former directors, officers or other employees that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder’ s ability to bring a claim in a judicial forum that the stockholder believes is favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving these matters in other jurisdictions, which could materially and adversely affect us. In addition, our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any claim arising under the Securities Act. Although our bylaws contain the choice of forum provisions described above, it is possible that a court could rule that such provisions are inapplicable for a particular claim or action or that such provisions are unenforceable. For example, under the Securities Act, federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. In addition, the exclusive forum provisions described above do not apply to any actions brought under the Exchange Act. Some provisions of our charter and bylaws and Maryland law may delay, deter or prevent takeover attempts, which may limit the opportunity of our stockholders to sell their shares at a favorable price. Some of the provisions of Maryland law and our charter and bylaws discussed below could make it more difficult for a third- party to acquire us, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares at a premium to the then current market price. Issuance of Stock Without Stockholder Approval. Our charter authorizes our Board, without stockholder approval, to authorize the issuance of up to 500, 000, 000 shares of common stock, $ 0. 01 par value per share, and up to 10, 000, 000 shares of preferred stock, $ 0. 01 par value per share, of which 125 shares are classified as 12. 5 % Series A Redeemable Cumulative Preferred Stock. Our charter authorizes a majority of our entire Board, without stockholder approval, to amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of shares of stock of any class or series that we have authority to issue. In addition, our Board, without stockholder approval, may reclassify any unissued shares of our common stock or preferred stock and may set the preferences, conversions or other rights, voting powers and other terms of the classified or reclassified shares. The issuance of any preferred stock could materially and adversely affect the rights of holders of our common stock and, therefore, could reduce the market price of our common stock. In addition, specific rights granted to future holders of our preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The power of our Board to cause us to issue preferred stock could, in certain circumstances, make it more difficult, delay, deter, prevent or make it more costly to acquire or effect a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interest of our stockholders. Advance Notice Bylaw. Our bylaws contain advance notice procedures for the introduction by a stockholder of new business by a stockholder. These provisions could, in certain circumstances, discourage proxy contests and make it more difficult for you and other stockholders to elect stockholder- nominated directors and to propose and, consequently, approve stockholder proposals opposed by management. Certain Provisions of Maryland Law. Certain provisions of the MGCL may have the effect of inhibiting a third- party from acquiring us or of impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then- prevailing market price of the shares, including: • “ business combination ” provisions that, subject to limitations, prohibit certain business combinations between an “ interested stockholder ” (defined generally as any person who beneficially owns 10 % or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two- year period immediately prior to the date in question, was the beneficial owner of 10 % or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder and us for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super- majority stockholder voting requirements on these combinations; and • “ control share ” provisions that provide that holders of “ control shares ” of our company (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a “ control share acquisition ” (defined as the direct or indirect acquisition of issued and outstanding “ control shares, ” subject to certain exceptions) have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two- thirds of all of the votes entitled to be cast on the matter, excluding all interested shares. Pursuant to the Maryland Business Combination Act, our Board adopted a resolution exempting any business combination with any other person, provided that the business combination is first approved by the Board. Consequently, the five- year prohibition and the supermajority vote requirements do not apply to business combinations between us and any person, provided that the business combination is first approved by the Board. As a result, any person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the supermajority vote requirements and the other provisions of the statute. As permitted by the MGCL, our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future. Additionally, Title 3, Subtitle 8 of the MGCL permits our Board, without stockholder approval and regardless of what currently is provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have. U. S. Federal Income Tax Risks Failure to maintain our qualification as a REIT would materially and adversely affect us and the market price of our common stock. We have elected to be taxed as a REIT commencing with our taxable year ended December 31, 2015. We believe that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT and cannot assure you that we so qualify. If we fail to qualify as a REIT or lose our REIT qualification, we will face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders for each of the years involved because: • we would not be allowed a deduction for distributions to our stockholders in computing our REIT taxable income and would be subject to regular U. S. federal corporate income tax; • we also could be subject to increased state and local taxes; **we could be subject to the one percent excise tax on stock repurchases imposed by the Inflation Reduction Act of 2022;** and • unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified. Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to our stockholders. In addition, if we fail to maintain our qualification as a REIT, we will not be required to pay dividends to our stockholders. As a result of all these factors, our failure to maintain our qualification as a REIT also could impair our ability to expand our business and raise capital, and would materially and adversely affect us and the market price of our common stock. Furthermore, we have from time to time owned direct or indirect interests in one or more entities that elected to be taxed as REITs under the Code. We refer to each such entity as a Subsidiary REIT. If a Subsidiary REIT failed to qualify as a REIT, then (i) the Subsidiary REIT would face the tax consequences described above, and (ii) the Subsidiary REIT’ s failure to qualify as a REIT could have an adverse effect on our ability to comply with the REIT income and asset tests, and thus could impair our ability to qualify as a REIT unless we could avail ourselves of certain relief provisions. Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow, which could materially and adversely affect us. Even if we maintain our qualification as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure and, in certain cases, a 100 % penalty tax, in the event we sell property as a dealer. In addition, any TRSs that we own will be subject to tax as regular corporations in the jurisdictions in which they operate. Complying with REIT requirements may force us to liquidate, restructure or forego otherwise attractive investments. To qualify as a REIT, we must ensure that we meet the REIT gross income tests annually and that, at the end of each calendar quarter, at least 75 % of the value of our assets consists of cash, cash items, government securities, stock in REITs and other qualifying real estate assets, including certain mortgage loans and certain kinds of MBS and debt instruments of publicly offered REITs. The remainder of our investments in securities (other than government securities and REIT qualified real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our assets (other than government securities and securities that are qualifying real estate assets) can consist of the securities of any one issuer, and no more than 20 % of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the income or asset requirements for qualifying as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us. To continue to qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as dealer property or inventory. The failure of mortgage loans or CMBS subject to a repurchase agreement or a mezzanine loan to qualify as real estate assets would adversely affect our ability to qualify as a REIT. When we enter into repurchase agreements, we will nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we will be treated for U. S. federal income tax purposes as the owner of the assets that are the subject of any of these agreements notwithstanding that these agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the repurchase agreement, in which case we could fail to qualify as a REIT. In addition, we may acquire and originate mezzanine loans, which are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003- 65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75 % gross income test. Although Revenue Procedure 2003- 65 provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. We may treat certain mezzanine loans that do not meet all of the requirements for reliance on this safe harbor as real estate assets giving rise to qualifying mortgage interest for purposes of the REIT asset and income requirements, or otherwise not adversely affecting our qualification as a REIT. There can be no assurance that the IRS will not challenge the tax treatment of these mezzanine loans, and if such a challenge were sustained, we could in certain circumstances be required to pay a penalty tax or fail to qualify as a REIT. We may be required to report REIT taxable income for certain investments in excess of the economic income we ultimately realize from them. We may acquire debt instruments in the secondary market for less than their face amount. The amount of the discount will generally be treated as " market discount " for U. S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on the debt instrument than our purchase price plus the market discount we previously reported as income, we may not be able to benefit from any offsetting loss deductions. In addition, we may acquire distressed debt investments, or loans that become " non- performing " following our acquisition thereof, that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are " significant modifications " under applicable Treasury Regulations, the modified debt may be considered to have been reissued to us at a gain in a debt- for- debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt, even if the value of the debt or the payment expectations have not changed. Moreover, some of the CMBS that we may acquire may have been issued with original issue discount, or OID. We will be required to report such OID based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such CMBS will be made. If such CMBS turns out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectibility is provable. Finally, in the event that any debt instrument that we acquire is delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as REIT taxable income as it accrues, despite doubt as to its ultimate collectability. We may also be required to accrue interest income with respect to subordinate MBS at its stated rate regardless of whether corresponding cash payments are received or are ultimately ~~collectable~~ **collectible** . In each case, while an offsetting loss deduction generally should be available to us when the interest was determined to be uncollectible, the utility of that deduction could depend on our having REIT taxable income in that later year or thereafter. The “ taxable mortgage pool ” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations. Securitizations by us or our subsidiaries could result in the creation of taxable mortgage pools, or TMPs, for U. S. federal income tax purposes. As a result, we could have “ excess inclusion income. ” Certain categories of stockholders, such as non- U. S. stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax- exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to any excess inclusion income. In addition, to the extent that our common stock is owned by tax- exempt “ disqualified organizations, ” such as certain government- related entities and charitable remainder trusts that are not subject to tax on unrelated business taxable income, or UBTI, we may incur a corporate **-** level tax on a portion of any excess inclusion income. Moreover, we could face limitations in selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions **. Our ownership of TRSs is subject to certain restrictions, and we will be required to pay a 100 % penalty tax on certain income or deductions if our transactions with our TRSs are not conducted on arm’ s length terms. From time to time we may own interests in one or more TRSs. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. If a TRS owns more than 35 % of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including activities that generate fee income that would be nonqualifying income for purposes of the REIT gross income tests or the provision of customary or non- customary services to tenants of its parent REIT. A TRS is subject to federal income tax as a regular C corporation. In addition, a 100 % excise tax will be imposed on certain transactions between a TRS and its parent REIT that are not conducted on an arm’ s length basis. A REIT’ s ownership of securities of a TRS is not subject to the 5 % or 10 % asset tests applicable to REITs. Not more than 20 % of the value of a REIT’ s total assets may be represented by securities of TRSs, and not more than 25 % of the value of a REIT’ s total assets may be represented by securities (including securities of one or more TRSs), other than those securities includable in the 75 % asset test. We anticipate that the aggregate value of the stock and securities of any TRSs that we own will be less than 20 % of the value of our total assets, and together with any other nonqualifying assets that we own will be less than 25 % of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with any TRSs that we own to ensure that they are entered into on arm’ s- length terms to avoid incurring the 100 % excise tax described above. There can be no assurance, however, that we will be able to comply with the above limitations or to avoid application of the 100 % excise tax discussed above** . To maintain our REIT status, we may be forced to raise capital during unfavorable market conditions or pay dividends in the form of taxable stock distributions, and the unavailability of capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and / or to dispose of assets at inopportune times, which could materially and adversely affect us. To qualify as a REIT, we generally must distribute to our stockholders at least 90 % of our REIT taxable income each year (determined without regard to the dividends paid deduction and excluding net capital gains), and we will be subject to regular corporate income taxes to the extent that we distribute less than 100 % of our REIT taxable income (determined without regard to the dividends paid deduction and including net capital gains) each year. In addition, we will be subject to a 4 % nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our net capital gains, and 100 % of our undistributed income from prior years. To maintain our REIT status and avoid the payment of federal income and excise taxes, we may need to raise capital to meet the REIT distribution requirements, even if the then- prevailing market conditions are not favorable for raising capital. These capital needs could result from differences in timing between the actual receipt of income and inclusion of income for federal income tax purposes. For example, we may be required to accrue interest and discount income on mortgage loans, MBS, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on the assets. Our access to third- party sources of capital depends on a number of factors, including the market’ s perception of our growth potential, our current and potential leverage, our outstanding equity on an actual and fully diluted basis and our current and potential future results of operations, liquidity, and financial condition. We cannot assure you that we will have access to capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and / or to dispose of assets at inopportune times, which could materially and adversely affect us. Alternatively, we may make taxable in- kind distributions of our own stock, which may cause our stockholders to be required to pay income taxes with respect to such distributions in excess of any cash they receive, or we may be required to withhold taxes with respect to such distributions in excess of any cash our stockholders receive. Dividends payable by REITs, including us, generally do not qualify for the reduced tax rates available for some dividends, which may negatively affect the value of our common stock. “ Qualified dividends ” payable to U. S. stockholders that are individuals, trusts and estates are generally subject to tax at preferential rates, currently at a maximum federal rate of 20 %. Dividends payable by REITs, however, generally are not eligible for the preferential tax rates applicable to qualified dividend income. However, U. S. stockholders that are individuals, trusts and estates generally may deduct up to 20 % of the ordinary dividends (e. g., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning after December 31, 2017 and before January 1, 2026 **, subject to certain holding period requirements** . Although this deduction reduces the effective U. S. federal income tax rate applicable to certain dividends paid by REITs (generally to 29. 6 % assuming the stockholder is subject to the 37 % maximum rate), such tax rate is still higher than the tax rate applicable to corporate dividends that constitute qualified dividend income. Accordingly, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non- REIT corporations that pay dividends, which could materially and adversely affect the value of the stock of REITs, including the per share trading price of our common stock. Complying with REIT requirements may limit our ability to hedge effectively. The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate exposure or currency fluctuations will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if (A) the instrument hedges either (i) interest rate risk on liabilities used to carry or acquire real estate assets or (ii) currency fluctuations with respect to items of income that qualify for purposes of the REIT 75 % or 95 % gross income tests or assets that generate such income or (B) the transaction is entered into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of, and, in any such case, such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75 % and 95 % gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains, or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in such TRS. The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, that would be treated as sales for U. S. federal income tax purposes. A REIT' s net income from prohibited transactions is subject to a 100 % tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held as inventory or primarily for sale to customers in the ordinary course of business. We could be subject to this tax if we were to sell or securitize loans in a manner that was treated as a sale of the loans as inventory or primarily for sale to customers in the ordinary course of business for U. S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans, other than through a TRS, and we may be required to limit the structures we use for securitization transactions, even though such sales or structures might otherwise be beneficial for us. In connection with our acquisition of certain assets, we may rely on legal opinions or advice rendered or given or statements by the issuers of such assets, and the inaccuracy of any conclusions of such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. When purchasing securities, we may rely on opinions or advice of counsel for the issuer of the securities, or statements made in related offering documents, for purposes of determining whether the securities represent debt or equity securities for U. S. federal income tax purposes, and also to what extent those securities constitute qualifying real estate assets for purposes of the REIT asset tests and produce income which qualifies under the 75 % and 95 % REIT gross income tests. The inaccuracy of any these opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. Legislative or other actions affecting REITs **may** materially and adversely affect our stockholders and us. The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could materially and adversely affect our stockholders and us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in other entities more attractive relative to an investment in a REIT. General Risks ~~The COVID- 19 pandemic has had an adverse effect on us and may have a material adverse effect on us in the future and any other pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate may have a material adverse effect on us in the future. As the COVID- 19 pandemic has evolved from its emergence in early 2020, so has its global impact. The ongoing pandemic state has affected global supply chains, the labor market, and inflation, which continue to impact many industries, including the collateral underlying certain of our loans. In response, the Federal Reserve began raising interest rates in 2022 and has indicated that it foresees further interest rate increases through 2023. The overall impact to the global economy will depend largely on the recovery of disrupted supply chains and industries, the extent of the labor market interruptions, the result of the Federal Reserves' policies, and other government interventions. We have experienced and may experience negative impacts to our business as a result of the COVID- 19 pandemic that could have significant adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends and distributions to security holders in a variety of ways that are difficult to predict. For example, the economic disruptions related to COVID- 19 have resulted in significant market volatility, which we expect may lead to a decrease in prepayment rates and an increase in the number of our borrowers who exercise extension options or seek extensions outside of their existing agreements if certain conditions to exercising such extension options have not been achieved. In addition, the market volatility may negatively impact the market values of loans secured directly or indirectly by CRE assets, as well as our ability to finance our investments on attractive terms, or at all. The full extent of the impact and effects of the COVID- 19 pandemic will depend on future developments, including, among other factors, the duration and the severity of the COVID- 19 pandemic, including variants, potential resurgences of COVID- 19, the impact of government interventions, uncertainty with respect to the duration or the severity of the global economic slowdown, and the performance or valuation outlook for CRE markets and certain property types. Additionally, the longer- term macro- economic effects of the pandemic continue to impact many industries, including those of certain of our borrowers, and the market turmoil and other changes associated with the pandemic may have lasting effects on our business and operations. In particular, the increase in remote working arrangements in response to the pandemic has contributed, and may further contribute, to a decline in~~

~~commercial real estate values and reduced demand for commercial real estate compared to pre- pandemic levels, which may adversely impact certain of our borrowers and may persist even as the pandemic continues to subside.~~ If we fail to implement and maintain an effective system of internal control, we may not be able to accurately determine our financial results or prevent fraud, which could materially and adversely affect us. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. We cannot be certain that we will be successful in implementing or maintaining an effective system of internal control over our financial reporting. Furthermore, as we grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. Additionally, the existence of any material weakness or significant deficiency would require our Manager to devote significant time and us to incur significant expense to remediate any material weaknesses or significant deficiencies and our Manager may not be able to remediate any material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our financial results, which could materially and adversely affect us. The obligations associated with being a public company require significant resources and attention from our Manager' s senior management team. As a public company with listed equity securities, we ~~will need~~ **are required** to comply with new laws, regulations and requirements, including the requirements of the Exchange Act, certain corporate governance provisions of the Sarbanes- Oxley Act of 2002, or the Sarbanes- Oxley Act, related regulations of the SEC and requirements of the NYSE. The Exchange Act requires that we file annual, quarterly and current reports with the SEC. The Sarbanes- Oxley Act requires, among other things, that we ~~establish and~~ maintain effective internal control over financial reporting. These reporting and other obligations place significant demands on our Manager' s senior management team, administrative, operational and accounting resources and ~~will~~ cause us to incur significant expenses. **Additionally** ~~We may need to upgrade our systems or create new systems~~ , **we have** ~~implement~~ **implemented** additional financial and other controls, reporting systems and procedures, and ~~create or outsource~~ **outsourced** an internal audit function. If we are unable **to continue** to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. The impact of any future terrorist attacks and the potential unavailability of affordable terrorism insurance expose us to certain risks. Terrorist attacks, the anticipation of any such attacks, and the consequences of any military or other response by the U. S. and its allies may have an adverse impact on the U. S. financial markets and the economy in general. We cannot predict the severity of the effect that any such future events would have on the U. S. financial markets, the economy or our business. Any future terrorist attacks could adversely affect the credit quality of some of our investments. Some of our investments will be more susceptible to such adverse effects than others, particularly those secured by properties in major cities or properties that are, or are in close proximity to, prominent landmarks or public attractions. To the extent that protests, riots or other forms of civil unrest have a material adverse effect on our borrowers' businesses or have the effect of decreasing demand for commercial real estate in such metropolitan areas, including as a result of a general decline in the desire to live, work in or travel to such metropolitan areas, the value of our investments, and our business, financial condition, liquidity, results of operations and prospects may be materially and adversely affected. We may suffer losses as a result of the adverse impact of any future terrorist attacks or civil unrest and these losses may materially and adversely affect us. In addition, the enactment of the Terrorism Risk Insurance Act of 2002, or TRIA, requires insurers to make terrorism insurance available under their property and casualty insurance policies and provides federal compensation to insurers for insured losses. TRIA was reauthorized, with some adjustments to its provisions, in December 2019 for seven years through December 31, 2027. However, this legislation does not regulate the pricing of such insurance and there is no assurance that this legislation will be extended beyond 2027. The absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market' s overall liquidity and may reduce the number of suitable investment opportunities available to us and the pace at which we are able to make investments. If the properties that we invest in are unable to obtain affordable insurance coverage, the value of those investments could decline and in the event of an uninsured loss, we could lose all or a portion of our investment. The market price of our common stock may fluctuate significantly. The capital and credit markets have recently experienced a period of extreme volatility and disruption. The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. Some of the factors that could negatively affect the market price of our common stock include: ~~•~~ our actual or projected operating results, financial condition, cash flows and liquidity, or changes in investment strategy or prospects; ~~•~~ actual or perceived conflicts of interest between us and our Manager or its affiliates or personnel; ~~•~~ equity or equity- related issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur; ~~•~~ our inability to raise capital on attractive terms when needed, including the loss of one or more major financing sources; ~~•~~ our inability to originate investments with attractive risk- adjusted returns; ~~•~~ actual, anticipated or perceived accounting or internal control problems; ~~•~~ publication of research reports about us, the CRE industry, CRE debt on transitional assets or interest rates; ~~•~~ changes in market valuations of similar companies; ~~•~~ adverse market reaction to any increased leverage we incur in the future; ~~•~~ additions to or departures of key personnel of our Sponsor or its affiliates, including our Manager, or their key personnel; ~~•~~ speculation in the press or investment community about us or other similar companies; ~~•~~ changes in market interest rates, which may lead investors to demand a higher distribution yield for our common stock, if we have begun to pay dividends to our stockholders, and which could result in increased interest expenses on our debt; ~~•~~ a compression of the yield on our investments and an increase in the cost of our liabilities; ~~•~~ failure to maintain our REIT qualification and our exclusion from registration under the 1940 Act; ~~•~~ price and volume fluctuations in the overall stock market from time to time; ~~•~~ a prolonged economic slowdown, a lengthy or severe recession or declining real estate values; ~~•~~ general market and economic conditions, and trends including inflationary concerns and the current state of the credit and capital markets, and the impact of natural disasters, prolonged civil unrest, political instability or uncertainty, **including the military conflicts between Russia and Ukraine, Israel and Hamas, and other conflicts throughout the Middle East and North Africa more broadly, tensions involving Russia, China, and Iran,** military activities, or broad- based sanctions, should they continue for the long term or escalate, global health crises ~~, such as the outbreak of COVID- 19,~~ and other events on market and economic conditions; • significant volatility in the market price and trading volume of securities of publicly- traded REITs or other companies in our sector, which are not necessarily related to the operating performance of these companies; • changes in law, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to REITs; • changes in the value of our portfolio; • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • operating performance of companies comparable to us; • level of competitive pressures from time to time; • short- selling pressure with respect to shares of our common stock or commercial mortgage REITs generally; • uncertainty surrounding the strength of the U. S. economic recovery; • concerns regarding the high- yield debt market; and • the other factors described under " Risk Factors. " As noted above, market factors unrelated to our performance could also negatively impact the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets can affect the market price of our common stock. For instance, if interest rates rise, it is likely that the market price of our common stock will decrease as market rates on interest- bearing securities increase. Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock. If we decide to issue debt or equity securities in the future that would rank senior to our common stock, those securities generally will have a preference to our receipt of dividends and liquidation payments. It is likely that those securities will also be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and those securities, as well as other equity securities we issue, may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future offerings. Thus holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.