Risk Factors Comparison 2024-03-22 to 2023-03-31 Form: 10-K

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

You should carefully consider the following risks and other information in this ~~annual~~ **Annual** ~~report~~ **Report** in evaluating us and our common stock. Any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our business, financial condition or results of operations, and could, in turn, impact the trading price of our common stock. Summary Risk Factors The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below. • unfavorable changes in economic conditions and their effects on the real estate industry generally and our operations and financial condition, including inflation, ~~rising~~ **high** interest rates, tightening monetary policy or recession, which may limit our ability to access funding and generate returns for our stockholders, as well as the risk we make significant changes to our strategies in a market downturn, or fail to do so; • risks associated with ownership of real estate, including properties in transition, subjectivity of valuation, environmental matters and lack of liquidity in certain asset classes; • the exposure of our loans and investments to risks similar to debt- oriented real estate investments generally, including the risk of delinquency, foreclosure and loss in any of our commercial real estate- related investments that are secured, directly or indirectly, by real property; • fluctuations in interest rate and credit spreads that could reduce our ability to generate income on our loans and investments; • competition for desirable loans and investments; • the concentration of our loans and investments in terms of type of interest, geography, asset types and sponsors; • the risk of downgrade of any credit ratings assigned to our loans and investments; • the risk that any distressed loans or investments we may make may subject us to bankruptcy risks; • risks associated with CMBS securitizations and with investments in synthetic form; • our dependence on information systems and risks associated with breaches of our data security; • costs associated with being a public company, including compliance with securities laws; • the risk of adverse impact to our business if there are deficiencies in our disclosure controls and procedures or internal control over financial reporting; • risks associated with ~~the COVID- 19 pandemic~~ **pandemics** ~~or~~ **, including** the future outbreak of other highly infectious or contagious diseases ~~; • risks associated with the single material weakness that was identified in our internal control over financial reporting related to the Elysian at Hughes Center investment and the determination that our internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, 2022~~ ; • risks associated with our substantial current indebtedness and indebtedness we may incur in the future; • risks associated with insurance, derivatives or hedging activity, including counterparty risk; • risks associated with our limited operating history and the possibility that we may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Sponsor, members of our Manager' s management team or their affiliates; • our dependence on our Manager, its affiliates and personnel to conduct our day- to- day operations and identify and realize returns on our loans and investments within very broad investment guidelines and without fiduciary duties to us or a requirement to seek Board approval; • risks associated with the Manager' s ability to terminate the Management Agreement (as defined below) and risks associated with any potential internalization of our management functions; • conflicts of interest and competing demands for time faced by our Manager, our Sponsor and their respective affiliates, officers and employees, and other significant potential conflicts of interest including in connection with (i) substantial fees and expenses we pay to our Manager and its affiliates which may increase the risk that you will not earn a profit on your investment and (ii) competition with entities affiliated with our Manager and our Sponsor for investments; • the risk of failure to maintain our status as a REIT and make required distributions to maintain such status, failure of which may materially limit our cash available for distribution to our stockholders and the risk of failure to maintain our status if values of our real estate investments rapidly change; • the risk of failure of our OP to be taxable as a partnership for U. S. federal income tax purposes, possibly causing us to fail to qualify for or to maintain REIT status; • compliance with REIT requirements, which may limit our ability to hedge our liabilities effectively and cause us to forgo otherwise attractive opportunities, liquidate certain of our investments or incur tax liabilities; • the risk that certain of our business activities are potentially subject to the prohibited transaction tax and that even if we qualify as a REIT we may be subject to other tax liabilities that may reduce our tax flows and distributions on our capital stock; • the ineligibility of dividends payable by REITs for the reduced tax rates available for some dividends; • the ability of our Board to revoke our REIT qualification without stockholder approval; • our ability to change our major policies, operations and targeted investments without stockholder consent and our Board' s issuance of and ability to further issue debt securities or equity securities that may adversely impact the value or priority of or have dilutive effect on shares of our capital stock or discourage a third- party acquisition; • risks associated with (i) provisions in our governing documents that may limit stockholders' choice of forum for disputes with us or discourage an acquisition of our securities or a change in control, including stock ownership restrictions and limits and (ii) provisions of Maryland law, including the Maryland General Corporation Law (the " MGCL "), that may limit the ability for a third- party acquisition; • recent and potential legislative or regulatory changes or other actions with respect to tax, securitization, financial or other matters affecting REITs, the mortgage industry or debt- oriented real estate investments generally; • the general volatility of the capital and credit markets and the impact on the market for our capital stock; • the risk that we may not realize gains or income from our investments, that the repayments of our loans and investments may cause our financial performance and returns to investors to suffer or that we may experience a decline in the fair value of our assets; • risks associated with the Highland Bankruptcy (as defined below), including possible materially adverse consequences on our business, financial condition and results of operations; • risks associated with holding shares of the Series A Preferred Stock, including limited voting rights, possible volatility in price and trading volume, subordination to our

debt, dilution upon future issuances, possible lack of conversion rights on a change of control and the lack of a rating on the Series A Preferred Stock; • **risks associated with holding shares of the Series B Preferred Stock, including limited voting rights, subordination to our debt and dilution upon future issuances; •** risk of failure to generate sufficient cash flows to service outstanding indebtedness or pay distributions on our capital stock at expected levels, and the risk that we may borrow funds or use funds from other sources to pay distributions; and • risks associated with the concentration of our share ownership. Risks Related to Our Business Our loans and investments expose us to risks similar to and associated with debt- oriented real estate investments generally. We invest primarily in investments in or relating to real estate- related businesses, assets or interests. Any deterioration of real estate fundamentals generally, and in the United States in particular, could negatively impact our performance by making it more difficult for entities in which we have an investment, or " borrower entities, " to satisfy debt payment obligations, increasing the default risk applicable to borrower entities, 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 borrower entities and may include economic and / or market fluctuations, changes in environmental, zoning and other laws, 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, fluctuations in real estate fundamentals, energy supply shortages, various uninsured or uninsurable risks, natural disasters, pandemics, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest 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, negative developments in the economy that depress travel activity, demand and / or real estate values generally and other factors that are beyond our control. The value of securities of companies that service the real estate business sector may also be affected by such risks. We cannot predict the degree to which economic conditions generally, and the conditions for loans and investments in real estate, will improve or deteriorate. Declines in the performance of the U. S. and global economies or in the real estate debt markets could have a material adverse effect on our business, financial condition and results ~~from~~ **of** operations. In addition, market conditions relating to real estate debt and preferred equity investments have evolved since the global financial crisis, which has resulted in a modification to certain structures and / or market terms. Any such changes in structures and / or market terms may make it relatively more difficult for us to monitor and evaluate our loans and investments. Our real estate investments are subject to risks particular to real property. These risks may result in a reduction or elimination of or return from an investment secured by a particular property. Real estate investments are subject to various risks, including: • acts of nature, including extreme weather, earthquakes, floods and other natural disasters, as result of climate change or otherwise, which may result in uninsured losses; • acts of war, terrorism, social unrest or civil disturbances, including the consequences of such acts; • adverse changes in national and local economic and market conditions; • changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations and ordinances; • costs of remediation and liabilities associated with environmental conditions including, but not limited to, indoor mold; and • the potential for uninsured or under- insured property losses. If any of these or similar events occurs, it may reduce our return from an affected property or investment and reduce or eliminate our ability to pay dividends to stockholders. Commercial real estate- related investments that are secured, directly or indirectly, by real property are subject to delinquency, foreclosure and loss, which could result in losses to us. Commercial real estate debt instruments (e. g., first- lien mortgage loans, mezzanine loans, preferred equity and CMBS) that are secured by commercial property are subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with loans made on the security of single- family residential property. The ability of a borrower to repay a loan secured by an income- producing property or properties typically is dependent primarily upon the successful operation of the property or properties rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower' s ability to repay the loan may be impaired. Net operating income of an income- producing property can be affected by, among other things: • tenant mix and tenant bankruptcies; • success of tenant businesses; • 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 laws that increase operating expenses or limit rents that may be charged; • any need to address environmental contamination 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; • changes in interest rates and in the state of the debt and equity capital markets, including diminished availability or lack of debt financing for commercial real estate; • changes in real estate tax rates and other operating expenses; • changes in governmental rules, regulations and fiscal policies, including environmental legislation; • natural disasters, acts of war, 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, we are exposed to the risk of judicial proceedings with our borrowers and entities we invest in, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments, could adversely affect our results of operations and financial condition. **Residential loans are subject to increased risks of loss. We acquire and manage residential loans, including performing, re- performing, non- performing and business purpose loans and loans that may not meet or conform to the underwriting standards of any government- sponsored enterprise (" GSE "). Residential loans are subject to increased risks of loss. The residential loans we invest in generally are not guaranteed by the federal government or any GSE. Additionally, by directly acquiring residential loans, we do not receive the structural credit enhancements that benefit senior securities of residential mortgage backed securities. A residential loan is directly exposed to losses resulting from default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and**

enforceability of the lien will significantly impact the value of such mortgage. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses. Many of the loans we own or seek to acquire have been purchased by us at a discount to par value. These residential loans sell at a discount because they generally constitute riskier investments than those selling at or above par value. The residential loans we invest in may be distressed or purchased at a discount because a borrower may have defaulted thereupon, because the borrower is or has been in the past delinquent on paying all or a portion of his obligation under the loan, because the loan may otherwise contain credit quality that is considered to be poor, because of errors by the originator in the loan origination underwriting process or because the loan documentation fails to meet certain standards. In addition, non- performing or sub- performing loans may require a substantial amount of workout negotiations and / or restructuring, which may divert the attention of our management team from other activities and entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments, and a substantial write- down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that the borrower will not be able or willing to maintain the restructured payments or refinance the restructured mortgage upon maturity. Although we typically expect to receive less than the principal amount or face value of the residential loans that we purchase, the return that we in fact receive thereupon may be less than our investment in such loans due to the failure of the loans to perform or reperform. An economic downturn would exacerbate the risks of the recovery of the full value of the loan or the cost of our investment therein. Finally, residential loans are also subject to" special hazard" risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower' s mortgage debt by a bankruptcy court). In addition, claims may be asserted against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be" recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property. Fluctuations in interest rates and credit spreads could reduce our ability to generate income on our loans and other investments, which could lead to a significant decrease in our results of operations, cash flows and the market value of our investments. Our primary interest rate exposures relate to the yield on our loans and other investments and the financing cost of our debt, as well as interest rate swaps that we may utilize for hedging purposes. Changes in interest rates and credit spreads may affect our net income from loans and other investments, which is the difference between the interest and related income we earn on our interest- earning investments and the interest and related expense we incur in financing these investments. Interest rate and credit spread fluctuations resulting in our interest and related expense exceeding interest and related income would result in operating losses for us. Changes in the level of interest rates and credit spreads also may affect our ability to make loans or investments, the value of our loans and investments and our ability to realize gains from the disposition of assets. Increases in **or high** interest rates and credit spreads may also negatively affect demand for loans and could result in higher borrower default rates. Our operating results 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 floating- rate 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 margin to expand or contract. In addition, we could experience reductions in the yield on our investments and an increase in the cost of our financing. Although we seek to match the terms of our liabilities to the expected lives of loans that we acquire or originate, circumstances may arise in which our liabilities are shorter in duration than our assets, 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, changes in interest rates, particularly short- term interest rates, may immediately and significantly decrease our results of operations and cash flows and the market value of our investments. In addition, unless we enter into hedging or similar transactions with respect to the portion of our assets that we fund using our balance sheet, returns we achieve on such assets will generally increase as interest rates for those assets rise and decrease as interest rates for those assets decline. Macroeconomic trends including inflation, ~~rising~~ **high** interest rates or recession may adversely affect our financial condition and results of operations. Macroeconomic trends, including **high** ~~increases in~~ inflation and ~~rising~~ **high** interest rates, may adversely impact our business, financial condition and results of operations. Inflation ~~in the United States has recently accelerated to historically high levels and may continue at an elevated level in the near- term. Rising inflation~~ could have an adverse impact on G & A expenses, as these costs could increase at a rate higher than our rental revenue, interest income or other revenue. Inflationary pressures have increased our direct and indirect operating and investment costs, including for labor at the corporate levels. With regard to our multifamily properties, inflationary pressures have increased or may have the effect of increasing our costs related to property management, third- party contractors and vendors, insurance, transportation and taxes, and our residents may also be adversely impacted by higher cost of living expenses, including food, energy and transportation, which may increase our rate of tenant defaults and harm our operating results. The U. S. Federal Reserve began rapidly raising the federal funds rate to decade- high levels in 2022 to combat inflation and restore price stability ~~, and has signaled that the federal funds rate may continue to rise in 2023~~ . In addition, the Federal Reserve began a quantitative tightening program in June of 2022. The combination of these actions ~~have~~ resulted in an increase in prevailing interest rates and a flattening of the yield curve. Certain of our investments pay interest at a fixed rate, 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. In addition, to the extent our exposure to increases in **or high** interest rates on any of our debt is not eliminated through interest rate swaps and interest rate protection agreements that we may utilize for hedging purposes, such increases will result in higher debt service costs which will adversely

affect our cash flows. We cannot assure you that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. Such future constraints could increase our borrowing costs, which would make it more difficult or expensive to obtain additional financing or refinance existing obligations and commitments, which could slow or deter future growth. In addition, these actions by the Federal Reserve, as well as efforts by other central banks globally to combat inflation and restore price stability and other global events, may raise the prospect or severity of a recession. The war in Ukraine **and the Israel- Hamas war** ~~adds~~ **add** , and other international tensions or escalations of conflict may add, instability to the uncertainty driving socioeconomic forces, which may continue to have an impact on global trade and result in inflation or economic instability. ~~The COVID- 19 pandemic or the future outbreak of other highly infectious or contagious diseases may also generally impair the performance of investments, increase funding costs, limit access to the capital markets or result in decisions by lenders not to extend credit.~~ Present conditions and the state of the U. S and global economies make it difficult to predict whether and / or when and to what extent a recession will occur in the near future. Should a recession occur, ~~or if one already exists and worsens in the future,~~ it could negatively impact the value of commercial and residential real estate and the value of our investments, potentially materially. ~~While the Company has taken steps to prepare for a potential downturn in the economy, should~~ **Should** a recession occur ~~, or if one already exists and worsens in the future~~ , there can be no ~~guaranty~~ **guarantee** that the Company' s efforts will prevent any negative impacts to the value of the Company' s investments. Our loans and investments may be subject to fluctuations in interest rates that may not be adequately protected, or protected at all, by our hedging strategies. Our assets include loans with either floating interest rates or fixed interest rates. Floating rate loans earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically ~~one- month LIBOR or~~ the Secured Overnight Financing Rate (" SOFR ")). These floating rate loans are insulated from changes in value specifically due to changes in interest rates; however, the coupons they earn fluctuate based upon interest rates (again, typically ~~one- month LIBOR or~~ SOFR) and, in a declining and / or low interest rate environment, these loans would earn lower rates of interest and this would impact our operating performance. Conversely, in an increasing and / or high interest rate environment, these loans would earn higher rates of interest, which would also impact our operating performance. Fixed interest rate loans, however, do not have adjusting interest rates and the relative value of the fixed cash flows from these loans 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 such strategies may provide no protection at all and potentially compound the impact of changes in interest rates. 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. We cannot make assurances that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us against the foregoing risks. Accounting for derivatives under GAAP may be complicated. Any failure by us to meet the requirements for applying hedge accounting in accordance with GAAP could adversely affect our earnings. In particular, derivatives are required to be highly effective in offsetting changes in the value or cash flows of the hedged items (and appropriately designated and / or documented as such). If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the changes in fair value of the instrument are included in our reported net income. Our loans and investments are concentrated in terms of type of interest, geography, asset types and sponsors and may continue to be so in the future. ~~One of our loans that is a fixed rate loan has an unpaid principal balance of approximately~~ **Approximately 41** ~~$ 508. 7 million as of December 31, 2022, which equates to approximately 25. 2 % of the total unpaid principal balance of our portfolio. This loan is collateralized by a portfolio of 4, 823 SFR properties with 47. 6 % of the units being located in the Atlanta- Sandy Springs- Alpharetta, Georgia MSA. In addition, approximately 33~~ . 6 % of our portfolio is in the SFR asset class and approximately ~~53~~ **48** . ~~4~~ **9** % of the unpaid principal balance in our portfolio is located in Florida and Georgia. In the future, our investments may continue to be concentrated in terms of type of interest (i. e. fixed vs. floating), geography, asset type and sponsors, as we are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our Board. Therefore, our investments in our target assets are and could in the future be, secured by properties concentrated in a limited number of geographic locations or concentrated in certain property types that are subject to higher risk of default or foreclosure. Asset concentration may cause even modest changes in the value of the underlying real estate assets to significantly impact the value of our investments. As a result of any high levels of concentration, any adverse economic, political or other conditions that disproportionately affects those geographic areas or asset classes could have a magnified adverse effect on our results of operations and financial condition, and the value of our stockholders' investments could vary more widely than if we invested in a more diverse portfolio of loans. We operate in a competitive market for lending and investment opportunities and competition may limit our ability to originate or acquire desirable loans and investments in our target assets and could also affect the yields of these assets. A number of entities compete with us to make the types of loans and investments that we make. Our profitability depends, in large part, on our ability to originate or acquire our target assets on attractive terms. In originating or acquiring our target assets, we compete with a variety of institutional lenders and investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by affiliates of our Manager and Sponsor), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Several other REITs have raised, or are expected to raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for lending and investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. Many of our competitors are not subject to the operating constraints associated with REIT compliance or

maintenance of an exclusion from regulation under the Investment Company 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, offer more attractive pricing or other terms and establish more relationships than us. Furthermore, competition for originations of and investments in our target assets may lead to the yields of such assets decreasing, which may further limit our ability to generate satisfactory returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable loans and investments in our target assets may be limited in the future, and we may not be able to take advantage of attractive lending and investment opportunities that may exist from time to time, as we can provide no assurance that we will be able to identify and originate loans or make investments that are consistent with our investment objectives. Prepayment rates may adversely affect the value of our portfolio of assets. The value of our assets may be affected by prepayment rates on loans. If we originate or acquire mortgage- related securities or a pool of mortgage securities, we anticipate that the mortgage loans or the underlying mortgages will prepay at a projected rate generating an expected yield. If we purchase assets at a premium to the par value or principal balance of the security or loans, when borrowers prepay their loans faster than expected, the corresponding prepayments on the mortgage- related securities 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 either the principal balance of the loans or the par value of the loans underlying the securities, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on the mortgage- related securities may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated. Prepayment rates on loans may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, changes in interest rates, other opportunities for investment, homeowner mobility 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. In periods of declining interest rates, prepayment rates on loans generally increase, though prepayment rates on loans are not guaranteed to remain the same or decrease in periods of increasing interest rates. If general interest rates decline at the same time, the proceeds of such prepayments received are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. 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 could have an adverse effect on other of our portfolio investments, including our mezzanine loans and preferred equity investments or on additional investments we may make in the future. The lack of liquidity in certain of our target assets may adversely affect our business. The illiquidity of certain of our target assets may make it difficult for us to sell such investments if the need or desire arises. Certain target assets such as first- lien mortgage loans, common ~~stock~~ **equity** investments, CMBS B- Pieces, CMBS I / O Strips, MSCR Notes, mortgage ~~–~~backed securities, mezzanine and other loans (including participations) and preferred equity, in particular, are relatively illiquid investments. 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, which may make it more difficult for us to dispose of such assets at advantageous times or in a timely manner. Moreover, many of the loans and securities we invest in will not be registered under the relevant securities laws, resulting in prohibitions against their transfer, sale, pledge or their disposition except in transactions that are exempt from registration requirements or are otherwise in accordance with such laws. As a result, we expect many of our investments will be illiquid, and if we are required to liquidate all or a portion of our portfolio quickly, for example as a result of margin calls, we may realize significantly less than the value at which we have previously recorded our investments. Further, we may face other restrictions on our ability to liquidate an investment to the extent that we or our Manager and / or its affiliates has or could be attributed as having material, non- public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition. Our success depends on the availability of attractive loans and investments and our Manager' s ability to identify, structure, consummate, leverage, manage and realize returns on our loans and investments. Our operating results are dependent upon the availability of attractive loans and investments, as well as our Manager' s ability to identify, structure, consummate, leverage, manage and realize returns on our loans and investments. In general, the availability of favorable investment opportunities and, consequently, our returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the demand for loan and investment opportunities in our target assets and the supply of capital for such opportunities. We cannot make any assurances that our Manager will be successful in identifying and consummating loans and investments that satisfy our rate of return objectives or that such loans and investments, once made, will perform as anticipated. Any distressed loans or investments we make, or loans and investments that later become distressed, may subject us to losses and other risks relating to bankruptcy proceedings. Our loans and investments may include making distressed investments from time to time (e. g., investments in defaulted, out- of- favor or distressed bank loans and debt securities) or may involve investments that become " non- performing " following our acquisition thereof. Certain of our investments may include properties that typically are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or securities of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or securities of other borrowers or issuers. Loans or securities of financially or operationally troubled issuers are less liquid and more volatile than loans or securities of borrowers or issuers not experiencing such difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. Investment in the loans or securities of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk. In certain limited cases (e. g., in connection with a workout, restructuring and / or foreclosing proceedings involving one or

more of our investments), the success of our investment strategy with respect thereto will depend, in part, on our ability to effectuate loan modifications and / or restructure and improve the operations of the borrower entities. The activity of identifying and implementing successful restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that we will be able to identify and implement successful restructuring programs and improvements with respect to any distressed loans or investments we may have from time to time. These financial difficulties may not be overcome and may cause borrower entities to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that we may incur substantial or total losses on our loans and investments and, in certain circumstances, become subject to certain additional potential liabilities that may exceed the value of our original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In any reorganization or liquidation proceeding relating to our investments, we may lose our entire investment, may be required to accept cash or securities with a value less than our original investment and / or may be required to accept different terms, including payment over an extended period of time. In addition, under certain circumstances, payments to us may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay our ability to realize on collateral for loan positions held by us, may adversely affect the economic terms and priority of such loans through doctrines such as equitable subordination or may result in a restructuring of the debt through principles such as the " cramdown " provisions of the bankruptcy laws. We may not have control over certain of our loans and investments. Our ability to manage our portfolio of loans and investments may be limited by the form in which they are made. In certain situations, we may: • acquire investments subject to rights of senior classes and servicers under intercreditor or servicing agreements; • 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 loans or investments. Such financial assets may involve risks not present in investments where senior creditors, junior creditors, servicers or third parties controlling investors 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. A partner or co- venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals that are inconsistent with ours, or may be in a position to take action contrary to our investment objectives. In addition, we may, in certain circumstances, be liable for the actions of our partners or co- venturers. We may make preferred equity investments in entities over which we will not have voting control. We intend to ensure that the terms of our investments require that the respective entities take all actions necessary to preserve our REIT status and avoid taxation at the REIT level. However, because we will not control such entities, they may cause us to fail one or more of the REIT tests. In that event, we intend to take advantage of all available provisions in the REIT statutes and regulations to cure any such failure, which provisions may require payments of penalties. We believe that we will be successful in maintaining our REIT status, but no assurances can be given. CMBS B- Pieces, CMBS I / O Strips, mezzanine loans, preferred equity and other investments that are subordinated or otherwise junior in an issuer' s capital structure and that involve privately negotiated structures expose us to greater risk of loss. We invest in debt instruments (including CMBS B- Pieces, CMBS I / O Strips and mezzanine loans) and preferred equity that are subordinated or otherwise junior in an issuer' s capital structure and that involve privately negotiated structures. Our investments in subordinated debt and mezzanine tranches of a borrower' s capital structure and our remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, are subject to the rights of any senior creditors and, to the extent applicable, contractual intercreditor and / or participation agreement provisions. Significant losses related to such loans or investments could adversely affect our results of operations and financial condition. Investments in subordinated debt involve greater credit risk of default than the senior classes of the issue or series. As a result, with respect to our investments in CMBS B- Pieces, CMBS I / O Strips, mezzanine loans and other subordinated debt, we would potentially receive payments or interest distributions after, and must bear the effects of losses or defaults on the senior debt (including underlying senior loans, senior mezzanine loans, subordinated promissory notes (" B- Notes "), preferred equity or senior CMBS bonds, as applicable) before the holders of other more senior tranches of debt instruments with respect to such issuer. As the terms of such loans and 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 B- Notes to control the process following a borrower default may vary from transaction to transaction. Like B- Notes, 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, 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. Investments in preferred equity involve a greater risk of loss than conventional debt financing due to a variety of factors, including their non- collateralized nature and subordinated ranking to other loans and liabilities of the entity in which such preferred equity is held. Accordingly, if the issuer defaults on our investment, we would only be able to proceed against such entity in accordance with the terms of the preferred equity, and not against any property owned by such entity. Furthermore, in the event of bankruptcy or foreclosure, we would only be able to recoup our investment after all lenders to, and

other creditors of, such entity are paid in full. As a result, we may lose all or a significant part of our investment, which could result in significant losses. In addition, our investments in senior loans may be effectively subordinated to the extent we borrow under a warehouse loan (which can be in the form of a repurchase 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 the senior loan, and therefore if the value of the pledged senior loan decreases below the amount we have borrowed, we would experience a loss. Our investments in CMBS pose additional risks, including the risk that we will not be able to recover some or all of our investment and the risk that we will not be able to hedge or transfer our CMBS B- Piece or CMBS I / O Strip investments for a significant period of time. We invest in pools or tranches of CMBS. The collateral underlying CMBS generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. CMBS have been issued in a variety of issuances, with varying structures including senior and subordinated classes. Our investments in CMBS may be subject to losses. In general, losses on a mortgaged property securing a senior loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B- Note, if any, then by the " first loss " subordinated security holder (generally, the CMBS B- Piece buyer) and then by the holder of a higher- rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B- Notes, and any classes of securities junior to those in which we invest, we will not be able to recover some or all of our investment in the securities we purchase. There can be no assurance that our CMBS underwriting practices will yield their desired results and there can be no assurance that we will be able to effectively achieve our investment objective or that projected returns will be achieved. If we invest in a CMBS B- Piece or CMBS I / O Strip because a sponsor of a CMBS utilizes us as an eligible third- party purchaser to satisfy the risk retention rule (the " Risk Retention Rule ") under the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 (the " Dodd- Frank Act "), we will be required to meet certain conditions, including holding the related CMBS B- Piece or CMBS I / O Strip, without transferring or hedging the CMBS B- Piece or CMBS I / O Strip, for a significant period of time (at least five years), which could prevent us from mitigating losses on the CMBS B- Piece or CMBS I / O Strip. Even if we seek to transfer the CMBS B- Piece or CMBS I / O Strip after five years, any subsequent purchaser of the CMBS B- Piece or CMBS I / O Strip will be required to satisfy the same conditions that we were required to satisfy when we acquired the interest from the CMBS sponsor. Accordingly, no assurance can be given that any secondary market liquidity will exist for such CMBS B- Pieces or CMBS I / O Strip. Loans on properties in transition involve a greater risk of loss than conventional mortgage loans. We may invest in properties that have a light- transitional business plan. The typical borrower in a transitional loan has usually identified an undervalued asset that has been under- managed and / or is located in a recovering market. If the market in which the asset is located fails to improve 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, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we may not recover all or a portion of our investment. In addition, borrowers usually use the proceeds of a conventional mortgage to repay a transitional loan. Transitional loans therefore are subject to the risk of a borrower' s inability to obtain permanent financing to repay the transitional loan. In the event of any default under transitional loans that may be held by us, 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 mortgage collateral and the principal amount and unpaid interest of the transitional loan. To the extent we suffer such losses with respect to these transitional loans, it could adversely affect our results of operations and financial condition. We may not realize gains or income from our investments. We seek to generate both current income and capital appreciation from our investments. However, it is possible that investments in our target assets will not appreciate in value and some investments may decline in value. In addition, the obligors on our investments may default on, or be delayed in making, interest and / or principal payments, especially given that we may invest in sub- performing and non- performing loans. Accordingly, we are subject to an increased risk of loss and may not be able to realize gains or income from our investments. Moreover, any gains that we do realize may not be sufficient to offset our losses and expenses. Real estate valuation is inherently subjective and uncertain. The valuation of real estate, and therefore the valuation of any underlying security relating to loans and / or investments made by us, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. As a result, the valuations of the real estate assets against which we make loans and / or investments are subject to a large degree of uncertainty 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 availability in the commercial or residential real estate markets. Some of our portfolio investments may be recorded at fair value not readily available and, as a result, there will be uncertainty as to the value of these investments. Some or all of our portfolio investments may be in the form of positions or securities that are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. Our Manager will value these investments at fair value which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our Manager' s determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our results of operations and financial condition could be adversely affected if our Manager' s determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal. We may experience a decline in the fair value of our assets. A decline in the fair value of our assets may require us to recognize an " other- than- temporary " impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the original acquisition cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be other- than-

temporarily impaired. Such impairment charges reflect non- cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. If we experience a decline in the fair value of our assets, it could adversely affect our results of operations and financial condition. 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 loans and investments, we may experience losses. Before making investments for us, our Manager will conduct 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 important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of potential 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. Our Manager' s loss estimates may not prove accurate, as actual results may vary from estimates. If our Manager underestimates the asset- level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment. Insurance on loans and real estate securities collateral may not cover all losses. There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism, acts of war, social unrest and civil disturbances, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received 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 corresponding nonperformance of or loss on our investment related to such property. Terrorist attacks, other acts of violence or war or a prolonged economic slowdown may affect the real estate industry generally and our business, financial condition and results of operations. We cannot predict the severity of the effect that potential future terrorist attacks or other acts of violence or war would have on us. We may suffer losses as a result of the adverse impact of any future attacks and these losses may adversely impact our performance and may cause the market value of our securities to decline or be more volatile. In addition, a prolonged economic slowdown, a recession or declining real estate values, including, among other things, as a result of pandemics, inflation or ~~rising~~ **high** interest rates, could impair the performance of our investments and harm our financial condition and results of operations, increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. Losses resulting from these types of events may not be fully insurable. 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 underlying our interests are unable to obtain affordable insurance coverage, the value of our interests could decline, and in the event of an uninsured loss, we could lose all or a portion of our investment. Risks Related to Our Industry A change in the federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac and Ginnie Mae and the U. S. government, may materially adversely affect our business, financial condition and results of operations ~~. Fannie Mae and Freddie Mac are a major source of financing for multifamily real estate in the United States and provide guarantees for CMBS securitizations in which we have invested and expect to continue to invest. Following significant credit losses and concerns of liquidity during the 2007- 2008 global financial crisis, Fannie Mae and Freddie Mac were placed in the conservatorship of the U. S. Federal Housing Finance Agency (the " FHFA "), their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, which was a part of the Housing and Economic Recovery Act of 2008. Under this conservatorship, Fannie Mae and Freddie Mac issued equity and derivative securities to the U. S. government in exchange for capital infusions and were required to reduce the amount of mortgage loans they own or for which they provide guarantees. As conservator, the FHFA has assumed all the powers of the shareholders, directors and officers with the goal of preserving and conserving their assets. Since the conservatorship began, the U. S~~ . Congress has considered a substantial number of bills that include comprehensive or incremental approaches to ending the conservatorship, winding down Fannie Mae and Freddie Mac or changing their purposes, businesses or operations. U. S. government departments and agencies, including the U. S Treasury and FHFA, have also published proposals which could lead to a release or exit from conservatorship. A decision by the U. S. government to eliminate or downscale Fannie Mae or Freddie Mac or to reduce government support for multifamily housing more generally may adversely affect the availability of CMBS securitizations as an investment or cause breaches in underlying loan covenants, and, as a result, may adversely affect our future growth. It may also adversely affect underlying interest rates, capital availability, development of multifamily communities and the value of multifamily assets, which may also adversely affect our future growth. In addition, reforms regarding Fannie Mae and Freddie Mac could negatively impact our ability to maintain an exclusion or exemption from the Investment Company Act. ~~Recent events related to the COVID- 19 pandemic and the associated economic slowdown raised concerns that Fannie Mae and Freddie Mac may have needed additional capital in order to meet their obligations as guarantors on trillions of dollars of CMBS securitizations, and future events may generate similar concerns.~~ The market value of CMBS securitizations guaranteed by Fannie Mae and Freddie Mac today are highly dependent on the continued support by the U. S. government. If such support is modified or withdrawn, if the U. S. Treasury fails to inject new capital as needed or if Fannie Mae and Freddie Mac are released from conservatorship, the market value of the CMBS securitizations they guaranteed could significantly decline, making it difficult for us to obtain repurchase agreement financing and could force us to sell assets at substantial losses. Furthermore, any policy changes to the relationship between Fannie Mae, Freddie Mac and the U. S. government may create market uncertainty and have the effect of reducing the actual or perceived credit quality of the CMBS securitizations. It may also interrupt the cash flow received by investors on the underlying CMBS.

All of the foregoing could materially adversely affect the availability, pricing, liquidity, market value and financing of our assets and materially adversely affect our business, operations, financial condition and book value per common share. The **securitization** ~~impact of financial reform legislation and legislation promulgated thereunder on us is uncertain. The Dodd-Frank Act instituted a wide range of reforms that will have an impact on all financial institutions. Many of the requirements called for in the Dodd- Frank Act will be implemented over time, most of which will be subject to implementing regulations over the course of several years. Many of these regulations have yet to be promulgated or are only recently promulgated. In February 2017, former President Trump signed an executive order for a broad review of federal regulation of the U. S. financial system by the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council (" FSOC "), a panel comprising top U. S. financial regulators. In May 2018, Congress passed, and former President Trump signed, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the " EGRRCPA "), which among other things, modified certain provisions of the Dodd- Frank Act related to mortgage lending, consumer protection, regulatory relief for large banks, regulatory relief for community banks and regulatory relief in securities markets. The EGRRCPA will relax or eliminate so- called " enhanced regulation " of banks falling into certain ranges of asset value and will impact the application of the Volcker Rule and the Basel III guidelines as to certain banks. Specifically, the EGRRCPA relaxed (or eliminated) certain risk- based capital and leverage requirements for community banks with less than $ 10 billion in assets that maintain a certain " community bank leverage ratio " that bank regulators are directed to develop, but the impact and effect of the foregoing on~~ market ~~liquidity is uncertain. It is possible that this or a future Congress will roll back some of the changes made by EGRRCPA to the Dodd- Frank Act and take a more active approach to banking and financial regulation than the prior executive administration, particularly to promote policy goals involving climate change, racial equity, environmental, social and governance matters, consumer financial protection and infrastructure, although it is not possible at this time to predict the nature or extent of any amendments. In addition, the substance of regulatory supervision may be influenced through the appointment of individuals to the Board of Governors of the U. S. Federal Reserve and other financial regulatory bodies. Measures focused on deregulation of the U. S. financial services industry may, among other things, decrease the restrictions on banks and other financial institutions and allow them to compete with us for investment opportunities that were previously not available to them. Measures focused on deregulation of the U. S. financial services industry may have the effect of increasing competition for our business. Increased competition from banks and other financial institutions in the credit markets could have the effect of reducing credit spreads, which may adversely affect our revenues. Given the uncertainty associated with financial reform legislation, including the implementation of the Dodd- Frank Act and any legislative and / or regulatory actions under this or a future executive administration or Congress, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd- Frank Act, the EGRRCPA, and other legislative actions may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements or address resulting changes in the mortgage loan market. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our business. In addition, failure to comply with any such laws, regulations or principles, or changes thereto, or to adapt to any changes in the marketplace, may have a material adverse effect on our results of operations, financial condition and cash flows. The securitization process~~ is subject to an evolving regulatory environment that may affect certain aspects of **these activities** ~~our current business~~. As a result of ~~the~~ **past** dislocation of the credit markets ~~during the great recession from 2007- 2009~~ , ~~and in anticipation of more extensive~~ **the securitization market has become subject to additional** regulation **. In particular** , ~~including regulations promulgated~~ pursuant to the Dodd- Frank Act, ~~the securitization industry has crafted and continues to craft changes to securitization practices, including changes to representations and warranties in securitization transaction documents, new underwriting guidelines and disclosure guidelines. Pursuant to the Dodd- Frank Act,~~ various federal agencies ~~, including the SEC,~~ have promulgated **rules** ~~regulations with respect to issues~~ that ~~affect~~ **require issuers in** securitizations ~~. As required by the Dodd- Frank Act, a collection of federal agencies have adopted a joint Risk Retention Rule that generally requires the sponsor of asset- backed securities~~ to retain **at least** ~~not less than~~ 5 % of the **risk associated with the securities. While the rule as adopted generally allows the purchase of the CMBS B- Piece by a party not affiliated with the issuer to satisfy the risk retention requirement, current CMBS B- Pieces are generally not large enough to fully satisfy the 5 % requirement. Accordingly, if we buy CMBS B- Pieces, we may be required to purchase larger CMBS B- Pieces, potentially reducing returns on such investments. Furthermore, any such CMBS B- Pieces purchased by us in an unaffiliated issuer generally cannot be transferred for a period of five years following the closing date of the securitization or hedged against** credit risk ~~of the assets collateralizing the securities~~ . ~~The~~ **These restrictions may reduce** ~~rule generally prohibits the sponsor or~~ **our** ~~its affiliates from directly~~ **liquidity and could potentially reduce** ~~or~~ **our returns on such investments. To** ~~indirectly hedging or otherwise selling or transferring~~ the **extent we utilize the securitization market and** ~~retained~~ -- **retain** ~~credit~~ **this** risk **of loss through subordinate interests** ~~for~~ - **or** ~~a specified period of time~~ **CMBS B- Pieces in our securitized debt transactions** , ~~depending~~ **these requirements could reduce our returns** on ~~the type of asset that is securitized. For purposes of the rule, the term " asset- backed security " means a fixed- income or other security collateralized by any type of self- liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including, among other things, a collateralized mortgage obligation or a collateralized debt obligation. The Risk Retention Rule provides a variety of exemptions, including an exemption for asset- backed securities that are collateralized exclusively by residential mortgages that qualify as " qualified residential mortgages, " which are defined in turn as qualified mortgage loans under the Bureau of Consumer Financial Protection' s Ability to Repay Rule. As part of our strategy, we may acquire target assets that are not qualified mortgage loans (such as loans made primarily for business purposes). If we sponsor the securitization of such assets, we may be required to retain 5 % of the credit risk of those~~ **these transactions** ~~assets, which would~~

~~expose us to loss and could increase the administrative and operational cost of asset securitization, and additionally may be required to comply with significant disclosure, review and reporting requirements applicable to asset securitization. On February 9, 2018, a three- judge panel of the United States Court of Appeals for the District of Columbia held, in The Loan Syndications and Trading Association v. Securities and Exchange Commission and Board of Governors of the U. S. Federal Reserve System (the " LSTA Decision "), that collateral managers of " open market CLOs " (described in the LSTA Decision as CLOs where assets are acquired from " arms- length negotiations and trading on an open market ") are not " securitizers " or " sponsors " under the risk retention requirements of the Dodd- Frank Act and, therefore, are not subject to risk retention and do not have to comply with the Risk Retention Rule~~ . In **addition** ~~reaching this decision~~ , **if we fail** ~~the panel determined, among other things, that an asset manager that was not in the chain of title on the transferred assets nor possessed them could not be required~~ to **operate in** ~~" retain " risk that it had never held. Although the LSTA Decision is limited by its terms to asset managers of open market CLOs, the court' s analysis may have broader implications with respect to~~ compliance with ~~the Risk Retention Rule~~ **existing and future regulations** , **our business** ~~especially in the context of managed funds that utilize securitizations. Even though we have a Manager~~ , ~~we may~~ **reputation, financial condition or results of operations could** be **materially** ~~considered a securitizer or sponsor of securitizations, requiring us to hold risk retention in accordance with the Risk Retention Rule~~ and **adversely affected** ~~to comply with disclosure, review and reporting requirements applicable to asset securitizations. The current regulatory environment may be impacted by future legislative developments, such as amendments to key provisions of the Dodd- Frank Act, including provisions setting forth capital and risk retention requirements. In particular, the EGRRCPA makes certain modifications to post- financial crisis regulatory requirements, including, among other things, improving consumer access to mortgage credit and tailoring regulations for certain bank holding companies, including raising the relevant thresholds for the application of the U. S. Federal Reserve' s enhanced prudential standards, as well as for the designation by FSOC of non- bank financial companies as systemically important. The EGRRCPA has resulted and may further result in significant modifications to certain aspects of the Dodd- Frank Act and other post- financial crisis regulatory requirements. These legislative developments, and other proposed regulations affecting securitization, could alter the structure of securitizations in the future, pose additional risks to our participation in future securitizations or reduce or eliminate the economic incentives for participating in future securitizations, increase the costs associated with our origination, securitization or acquisition activities, or otherwise increase the risks or costs of our doing business~~ . If we were required to register with the U. S. Commodity Futures Trading Commission (the " CFTC ") as a Commodity Pool Operator, it could materially adversely affect our business, financial condition and results of operations. Under Title VII of the Dodd- Frank Act, the CFTC was given jurisdiction over the regulation of swaps. Under rules implemented by the CFTC, operators of certain entities (including many mortgage REITs) may fall within the statutory definition of commodity pool operator (" CPO "), and, absent an applicable exemption or other relief from the CFTC, may be required to register with the CFTC as a CPO. As a result of numerous requests for no- action relief from CPO registration, in December 2012 the CFTC' s Division of Swap Dealer and Intermediary Oversight issued a no- action letter entitled " No- Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts, " which permits a CPO to receive relief from registration requirements by filing a claim stating that the CPO meets the criteria specified in the no- action letter. We submitted a claim for relief within the required time period and believe we meet the criteria for such relief. 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 satisfy the criteria specified in the no- action letter in order to qualify for relief from CPO registration. The CFTC regulations, interpretation and guidance with respect to commodity pools may be revised, which may affect our regulatory status or cause us to modify or terminate the use of commodity interests 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 our financial condition, our results of operations and our ability to operate our business. 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 on us or our investors. We may need to foreclose on certain of the loans and / or exercise our " foreclosure option " under the terms of our investments we originate or acquire, which could result in losses that harm our results of operations and financial condition. We may find it necessary or desirable to foreclose on certain of the loans and / or exercise our " foreclosure option " under the terms of our investments we originate or acquire, and this process may be lengthy and expensive. We cannot assure you as to the adequacy of the protection of the terms of the applicable loan or investment, including the validity or enforceability of the loan and / or investments and the maintenance of the anticipated priority and perfection of the applicable security interests, if any. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of 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 buy- out 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 result 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 and / or investment, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan and / or investment, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of the loan and / or investment or a liquidation of the underlying property will further reduce the net proceeds and, thus, increase the loss. Liability relating to environmental matters may impact the value of properties that we may acquire or the properties underlying our investments. 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 such hazardous substances. 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 investments 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 investment held by us and our ability to make distributions to our stockholders. The presence of hazardous substances on a property may adversely affect our ability to sell the property upon a default and foreclosure of one of our investments and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders. We may be subject to lender liability claims, and if we are held liable under such claims, we could be subject to losses. In recent years, 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 prospective investors that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise. Our ability to generate returns for our stockholders through our investment, finance and operating strategies is subject to then- existing market conditions, and we may make significant changes to these strategies in response to changing market conditions. We seek to provide attractive risk- adjusted returns to our stockholders over the long term. We intend to achieve this objective primarily by originating, structuring and investing in our target assets. In the future, to the extent that market conditions change and we have sufficient capital to do so, we may, depending on prevailing market conditions, change our investment guidelines in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our equity that will be invested in any of our target assets at any given time. If we fail to develop, enhance and implement strategies to adapt to changing conditions in the real estate industry and capital markets, our financial condition and results of operations may be materially and adversely affected. The manner in which we compete and the types of assets in which we seek to invest will be affected by changing conditions resulting from sudden changes in our industry, regulatory environment, the role and structures of government- sponsored enterprises (" GSEs "), the role of credit rating agencies or their rating criteria or process, or the U. S. and global economies generally. If we do not effectively respond to these changes, or if our strategies to respond to these changes are not successful, our financial condition and results of operations may be adversely affected. In addition, we may not be successful in executing our business strategies and, even if we successfully implement our business strategies, we may not generate revenues or profits after we implement them. Any credit ratings assigned to our loans and investments will be subject to ongoing evaluations and revisions and we cannot assure you that those ratings will not be downgraded. Our loans and investments may be rated by rating agencies such as Moody' s Investors Service, Fitch Ratings or Standard & Poor' s. Any credit ratings on our loans and investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower- than- expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our loans and investments in the future, the value and liquidity of our investments could significantly decline, which would adversely affect the value of our portfolio and could result in losses upon disposition. Some of our investments and investment opportunities may be in synthetic form. Some of our investments and investment opportunities may be in synthetic form. Synthetic investments are contracts between parties whereby payments are exchanged based upon the performance of another security or asset, or " reference asset. " In addition to the risks associated with the performance of the reference asset, these synthetic interests carry the risk of the counterparty not performing its contractual obligations. Market standards, GAAP accounting methodology, regulatory oversight and compliance requirements, tax and other regulations related to these investments are evolving, and we cannot be certain that their evolution will not adversely impact the value or sustainability of these investments. Furthermore, our ability to invest in synthetic investments, other than through taxable REIT subsidiaries (" TRSs "), may be severely limited by the REIT qualification requirements because synthetic investment contracts generally are not qualifying assets and do not produce qualifying income for purposes of the REIT asset and income tests. 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 in all circumstances, 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. Such derivatives and other customized instruments also are 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 (" OTC ") 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 nonperformance 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 less than in the case of an exchange- traded instrument. In addition, significant disparities may exist between " bid " and " ask " prices for derivative instruments that are traded OTC and not on an exchange. Such OTC 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 such 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. Rapid changes in the values of our real estate investments may make it more difficult for us to maintain our qualification as a REIT or exclusion from regulation under the Investment Company 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 Investment Company Act regulation. If a 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 Investment Company Act considerations. As a consequence of our seeking to avoid registration under the Investment Company 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. In particular, a change in the value of any of our assets could negatively affect our ability to avoid registration under the Investment Company Act and cause the need for a restructuring of our investment portfolio. For example, these restrictions may limit our and our subsidiaries' ability to invest directly in mortgage - backed securities that represent less than the entire ownership in a pool of senior loans, debt and equity tranches of securitizations and certain asset- backed securities, non- controlling equity interests in real estate companies or in assets not related to real estate. In addition, seeking to avoid registration under the Investment Company Act may cause us and / or our subsidiaries to acquire or hold additional assets that we might not otherwise have acquired or held or dispose of investments that we and / or our subsidiaries might not have otherwise disposed of, which could result in higher costs or lower proceeds to us than we would have paid or received if we were not seeking to comply with such requirements. Thus, avoiding registration under the Investment Company Act may hinder our ability to operate solely on the basis of maximizing profits. There can be no assurance that we and our subsidiaries will be able to successfully avoid operating as an unregistered investment company. If it were established 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 be unable to enforce contracts with third parties, that third parties could seek to obtain rescission of transactions undertaken during the period it was established that we were an unregistered investment company, and that we would be subject to limitations on corporate leverage that would have an adverse impact on our investment returns. If we were required to register as an investment company under the Investment Company Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration and other matters. Compliance with the Investment Company Act would, accordingly, limit our ability to make certain investments and require us to significantly restructure our business plan, which could materially adversely affect our ability to pay distributions to our stockholders. Risks Related To Legal, Regulatory and Accounting Issues We are an " emerging growth company " and a " smaller reporting company " under the federal securities laws and will be subject to reduced public company reporting requirements. We are an " emerging growth company, " as defined in the JOBS Act and are eligible to take advantage of certain exemptions from, or reduced disclosure obligations relating to, various reporting requirements that are normally applicable to public companies. We could remain an " emerging growth company " until the earliest of (1) the last day of the fiscal year following the fifth anniversary of becoming a public company, (2) the last day of the first fiscal year in which we have total annual gross revenue of $ 1. 235 billion or more, (3) the date on which we are deemed to be a " large accelerated filer " as defined in Rule 12b- 2 under the Exchange Act (which would occur as of the end of the fiscal year in which the market value of our common stock held by non- affiliates is $ 700 million or more, measured as of the last business day of our most recently completed second fiscal quarter) or (4) the date on which we have, during the preceding three year period, issued more than $ 1. 0 billion in non- convertible debt. Under the JOBS Act, emerging growth companies are not required to, among other things, (1) provide an auditor' s attestation report on management' s assessment of the effectiveness of internal control over financial reporting, pursuant to Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act "), (2) provide certain disclosures relating to executive compensation generally required for larger public companies or (3) hold stockholder advisory votes on executive compensation. We intend to take advantage of the JOBS Act exemptions that are applicable to us. Some investors may find our securities less attractive as a result. Additionally, the JOBS Act provides that an " emerging growth company " may take advantage of an extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. This means an " emerging growth company " can delay adopting certain accounting standards until such standards are otherwise applicable to private companies. We have elected to take advantage of this extended transition period. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates for such new or revised standards. We may elect to comply with public company effective dates at any time, and such election would be irrevocable pursuant to Section 107 (b) of the JOBS Act. Similarly, as a smaller reporting company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not " smaller reporting companies, " including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We may be a smaller reporting company even after we are no longer an " emerging growth company. " Although we are an emerging growth company and smaller reporting company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes- Oxley Act, may strain our resources, increase our costs and place additional demands on management, and we may be unable to comply with these requirements in a timely or cost- effective manner. As a public company with listed equity securities, we are required to comply with new laws, regulations and requirements, certain corporate governance provisions of

the Sarbanes- Oxley Act, related regulations of the SEC, including compliance with the reporting requirements of the Exchange Act and the requirements of the ~~New York Stock Exchange (the "~~ NYSE ~~")~~ . Complying with these statutes, regulations and requirements will occupy a significant amount of time of our Board and management and will require us to incur significant costs and expenses. As a result of being a public company, we are required to: • institute and maintain a more comprehensive compliance function; • design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes- Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board (the " PCAOB "); • comply with rules promulgated by the NYSE; • prepare and distribute periodic public reports in compliance with our obligations under federal securities laws; • establish and maintain new internal policies, such as those relating to disclosure controls and procedures and insider trading; • involve and retain to a greater degree outside counsel and accountants in the above activities; and • establish and maintain an investor relations function. If our profitability is adversely affected because of these additional costs, it could have a negative effect on the trading price of our securities. **Failure of** ~~We have identified a single material weakness in~~ our internal control over financial reporting ~~related to the Elysian at Hughes Center investment which~~ could **harm** ~~, if not remediated, adversely impact the reliability of~~ our ~~future~~ **business,** financial ~~statements,~~ **condition and** ~~result~~ **results** ~~in material misstatements in our future financial statements and cause current and potential stockholders to lose confidence in our financial reporting, which in turn could adversely affect the trading price~~ of **operations** ~~our common stock~~ . **Our management** ~~We have concluded that there~~ is **responsible** ~~a single material weakness in our internal control over financial reporting related to the Elysian at Hughes Center investment. For additional information on the material weakness identified and our remediation plan, see " Item 9A. Controls and Procedures. " The material weakness resulted in an immaterial revision of our consolidated financial statements as of and~~ for **establishing** ~~the year- to- date periods ended March 31, 2022, June 30, 2022~~ and ~~September 30, 2022. Thus, management has determined that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2022. The financial information as of and for the year ended December 31, 2022 included herein supersedes the information disclosed in the Company' s earnings release and supplement for the three months and year ended December 31, 2022. The Company intends to post a new earnings supplement on its website on or after the date of filing this Annual Report on Form 10- K (this " Annual Report "). Under PCAOB standards, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a misstatement of our consolidated annual or interim financial statements will not be prevented or detected on a timely basis. The existence of this issue could adversely affect us, our reputation or investor perceptions of us. We are taking measures to remediate the underlying cause of the material weakness noted above. As we continue to evaluate and work to remediate the material weakness, we may determine to take additional measures to address the control deficiencies. An error does not need to be material to create a material weakness and in the current case the error was determined to be immaterial. Although we plan to complete this remediation process as quickly as possible, we cannot provide any assurance as to when the remediation process will be complete, and our measures may not prove to be successful in remediating the material weakness. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses in our internal control over financial reporting are discovered or occur in the future, our future consolidated financial statements may contain misstatements and we could be required to restate our financial results. In addition, if we are unable to successfully remediate the material weakness or if we are unable to produce accurate consolidated financial statements in the future, our stock price, liquidity and access to the capital markets may be adversely affected and we may be unable to maintain~~ **maintaining** ~~compliance with applicable stock exchange listing requirements and debt covenant requirements. Further, because of its inherent limitations, even our remediated and~~ effective internal control over financial reporting ~~may~~ **under Section 404 of the Sarbanes- Oxley Act of 2002. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting is** not **intended to provide absolute assurance that we would** prevent or detect ~~all~~ **a** ~~misstatements~~ **misstatement** ~~. Also, projections~~ of **our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock and Series A Preferred Stock. We cannot assure you that we will be able to timely remediate** any ~~evaluation of effectiveness to~~ **material weaknesses that may be identified in** future periods ~~are subject to~~ **or maintain all of** the ~~risk that~~ controls **necessary** ~~may become inadequate because of changes in our conditions, or~~ **for continued** ~~that the degree of~~ compliance ~~with our policies or procedures may deteriorate~~ . Risks Related to Our Indebtedness and Financing Strategy We have a substantial amount of indebtedness which may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs. As of December 31, ~~2022~~ **2023** , we had approximately $ 1. ~~0~~ **3** billion of indebtedness outstanding related to our portfolio, excluding indebtedness relating to the portion of the CMBS that we do not own, but are required to consolidate pursuant to applicable accounting standards. As of December 31, ~~2022~~ **2023** , we had $ ~~165~~ **180** . 0 million of our 5. 75 % Notes outstanding and our OP had $ 36. 5 million of its 7. 50 % Senior Unsecured Notes due 2025 (the " OP Notes ") outstanding. The indenture that governs the 5. 75 % Notes contains and the note purchase agreements that govern the OP Notes contain covenants that require us to, among others, maintain a maximum net debt to equity ratio, a minimum net asset value, a minimum senior DSCR and a minimum consolidated unencumbered assets ratio. The indenture and the note purchase agreements contain other customary covenants and events of default. Payments of principal and interest on borrowings may leave us with insufficient cash resources to acquire additional investments or pay the dividends necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: • require us to dedicate a substantial portion of cash flow from

operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes; • make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs; • force us to dispose of one or more of our investments, possibly on unfavorable terms or in violation of certain covenants to which we may be subject; • subject us to increased sensitivity to interest rate increases; • make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events; • limit our ability to withstand competitive pressures; • limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; • reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and / or • place us at a competitive disadvantage to competitors that have relatively less debt than we have. If any one of these events were to occur, our financial condition, results of operations, cash flow and trading price of our securities could be adversely affected. Any credit facilities (including term loans and revolving facilities), debt securities, repurchase agreements, warehouse facilities and securitizations may impose restrictive covenants, which may restrict our flexibility to determine our operating policies and investment strategy. We ~~intend~~ **have and will continue** to enter into agreements with various counterparties to finance our operations, which may include entering into credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities and securitizations and / or issuing debt securities. The documents that govern these agreements may contain customary affirmative and negative covenants, including financial covenants applicable to us that may restrict our flexibility to determine our operating policies and investment strategy. In particular, these agreements may require us to maintain a specific net debt to equity ratio, minimum net asset value, senior DSCR, consolidated unencumbered assets ratio, or, among others, specified minimum levels of capacity under our credit facilities and cash. As a result, we may not be able to leverage our assets as fully as we would otherwise choose, which could reduce our return on assets. If we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate significantly. In addition, lenders may require that our Manager continue to serve in such capacity. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross- default and acceleration rights in our other debt arrangements. Further, this could also make it difficult for us to satisfy the distribution requirements necessary to maintain our qualification as a REIT for U. S. federal income tax purposes. Inability to access funding could have a material adverse effect on our results of operations, financial condition and business. Our ability to fund our loans and investments may be impacted by our ability to secure bank credit facilities (including term loans and revolving facilities), warehouse facilities and structured financing arrangements, public and private debt issuances and derivative instruments, in addition to transaction or asset specific funding arrangements and additional repurchase agreements on acceptable terms. 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 perception of our growth potential; • our current and potential future earnings and cash distributions; and • the market price of our securities. We may need to periodically access the capital markets to raise cash to fund new loans and investments. Unfavorable economic or capital market conditions may increase our funding costs, limit our access to the capital markets or could result in a decision by our potential lenders not to extend credit. An inability to successfully access the capital markets could limit our ability to grow our business and fully execute our business strategy and could decrease our earnings and liquidity. In addition, any dislocation or weakness in the capital and credit markets 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 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. We cannot make assurances that we will be able to obtain any additional financing on favorable terms or at all. We are subject to counterparty risk associated with our debt obligations. Our counterparties for critical financial relationships may include both domestic and international financial institutions. These institutions could be severely impacted by credit market turmoil, changes in legislation, allegations of civil or criminal wrongdoing and may as a result experience financial or other pressures. In addition, if a lender or counterparty files for bankruptcy or becomes insolvent, our borrowings under financing agreements with them may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. Such an event could restrict our access to financing and increase our cost of capital. If any of our counterparties were to limit or cease operation, it could lead to financial losses for us. Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders. Subject to qualifying and maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and fluctuations in currencies. Our hedging activity will vary in scope based on the level and volatility of interest rates, exchange rates, the type of assets held and other changing market conditions. Interest rate and currency hedging may fail to protect or could adversely affect us because, among other things: • interest rate and / or credit hedging can be expensive and may result in us generating less net income; • available interest rate hedges may not correspond directly with the interest rate for which protection is sought; • due to a credit loss, prepayment or asset sale, the duration of the hedge may not match the duration of the related asset or liability; • the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Code or that are done through a TRS) to offset interest rate losses is limited by U. S. federal income tax provisions governing REITs; • the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; • the hedging counterparty owing money in the hedging transaction may default on its obligation to pay; • we may fail to recalculate, readjust and execute hedges in an efficient manner; and • legal, tax and regulatory changes could occur and may adversely affect

our ability to pursue our hedging strategies and / or increase the costs of implementing such strategies. Any hedging activity in which we engage may materially and adversely affect our results of operations and cash flows. Therefore, while we may enter into such transactions seeking to reduce risks, unanticipated changes in interest rates or credit spreads may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and furthermore may expose us to risk of loss. In addition, some hedging instruments involve additional risk because they are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U. S. or foreign governmental authorities. Consequently, we cannot make assurances 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 significant losses. In addition, regulatory requirements with respect to derivatives, including eligibility of counterparties, reporting, recordkeeping, exchange of margin, financial responsibility or segregation of customer funds and positions are still under development and could impact our hedging transactions and how we and our counterparty must manage such transactions. We are subject to counterparty risk associated with our hedging activities. We are subject to credit risk with respect to the counterparties failing to meet their obligations to us under derivative contracts (whether a clearing corporation in the case of exchange- traded instruments or another third party in the case of OTC instruments), which may occur due to numerous causes, including bankruptcy, lack of liquidity, or operational failure, among others. Credit risk may also be affected by the deterioration of strength in the U. S. economy or the financial performance or condition of the counterparties. If a counterparty fails to perform its obligations to us under a derivative contract, 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 such 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 such circumstances. In addition, the business failure of a counterparty with whom we enter into a hedging transaction will most likely result in its default, which may result in the loss of potential future value and the loss of our hedge and force us to cover our commitments, if any, at the then current market price. On December 30, 2021, the Company, through a subsidiary, entered into a $ 32. 5 million interest rate cap agreement at a strike rate of 2. 29 % to hedge the variable cash flows associated with the Company' s floating rate debt. The interest rate cap terminates on June 1 **, 2024. On October 10, 2023, the Company, through a subsidiary, entered into a $ 63. 5 million interest rate cap agreement at a strike rate of 1. 50 % to hedge the variable cash flows associated with the Company' s floating rate debt. The interest rate cap terminates on November 6** , 2024. We may enter into hedging transactions that could expose us to contingent liabilities in the future. Subject to qualifying and 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 margin securities it is contractually owed under the terms of the hedging instrument). The amount due with respect to an early termination would generally be equal to the unrealized loss of such open transaction positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely affect our results of operations and financial condition. We may fail to qualify for, or choose not to elect, hedge accounting treatment. We expect to account for any derivative and hedging transactions in accordance with Topic 815 of the Financial Accounting Standards Board' s (" FASB ") Accounting Standards Codification (" ASC "). 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 fail to satisfy ASC Topic 815 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for, or choose not to elect, hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction or item. Any credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities and securitizations that we may use to finance our assets may require us to provide additional collateral or pay down debt. We expect to utilize credit facilities, repurchase agreements, warehouse facilities, securitizations and other forms of financing to finance our assets if they are available on acceptable terms. In the event we utilize these financing arrangements, they would involve the risk that the market value of our assets pledged or sold by us to the repurchase agreement counterparty, provider of the credit facility, lender of the warehouse facility or the securitization counterparty may decline in value, in which case the applicable creditor may require us to provide additional collateral or to repay all or a portion of the funds advanced. We may not have the funds available to repay our debt at that time, which would likely result in defaults 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. Posting additional collateral would reduce our liquidity and limit our ability to leverage our assets. If we cannot meet these requirements, the applicable creditor could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from them, which could materially and adversely affect our financial condition and ability to implement our business plan. In addition, in the event that the applicable creditor 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. Such an event could restrict our access to credit and increase our cost of capital. The applicable creditor may also require us to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position that would

allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose which could reduce our return on assets. In the event that we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate rapidly. If a counterparty to a repurchase agreement defaults on its obligation to resell the underlying security back to us at the end of the purchase agreement term, or if the value of the underlying asset has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we may incur losses. Under any repurchase agreements we enter into, we will sell the assets to lenders (i. e., repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same assets back to us at the end of the term of the repurchase agreement. Because the cash that we receive from the lender when we initially sell the assets to the lender is less than the value of those assets (the difference being the " haircut "), if the lender defaults on its obligation to resell the same assets back to us, we would incur a loss on the repurchase agreement equal to the amount of the haircut (assuming there was no change in the value of the securities). We would also incur losses on a repurchase agreement if the value of the underlying assets has declined as of the end of the repurchase agreement term, because we would have to repurchase the assets for their initial value but would receive assets worth less than that amount. Further, if we default on our obligations under a repurchase agreement, the lender will be able to terminate the repurchase agreement and cease entering into any other repurchase agreements with us. Any repurchase agreements we enter into are likely to contain cross- default provisions, so that if a default occurs under any repurchase agreement, the lender can also declare a default with respect to all other repurchase agreements they have with us. If a default occurs under any of our repurchase agreements and a lender terminates one or more of its repurchase agreements, we may need to enter into replacement repurchase agreements with different lenders. There can be no assurance that we will be successful in entering into such replacement repurchase agreements on the same terms as the repurchase agreements that were terminated or at all. Any losses that we incur on our repurchase agreements could adversely affect our earnings and thus our cash available for distribution to stockholders. ~~The elimination of, LIBOR may adversely affect interest expense related to our loans and investments. Approximately 3. 7 % of our portfolio by unpaid principal balance as of December 31, 2022 pays interest at a variable rate that is tied to LIBOR. On March 5, 2021, the Financial Conduct Authority of the U. K. announced that all of the LIBOR settings will either cease to be provided by any administrator or no longer be representative (i) immediately after December 31, 2021, in the case of the 1- week and 2- month US dollar settings; and (ii) immediately after June 30, 2023, in the case of the remaining one- month, three- month, six- month and twelve- month US dollar settings. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee convened by the Federal Reserve Board and comprised of large U. S. financial institutions, has recommended replacing U. S.- dollar LIBOR with SOFR, an index calculated by short- term repurchase agreements backed by U. S. Treasury securities. Approximately 13. 3 % of our portfolio by unpaid principal balance as of December 31, 2022 pays interest at a variable rate that is tied to SOFR, and it is anticipated that future investments we make may have variable interest rates tied to SOFR. Although there have been issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether these alternative rates will attain market acceptance as a replacement for LIBOR. In connection with the foregoing, we may need to renegotiate some of our agreements to determine a replacement index rate. As of December 31, 2022, the Company has not received any LIBOR transition notices under its loan agreements. Any changes to benchmark interest rates could increase our financing costs, which could impact our results of operations, cash flows and the market value of our investments and result in mismatches with the interest rate of investments that we are financing.~~ Risks Related to Our Corporate Structure We have limited operating history as a standalone company and may not be able to operate our business successfully, find suitable investments, or generate sufficient revenue to make or sustain distributions to our stockholders. We were organized on June 7, 2019 and have limited operating history as a standalone company. We may not be able to operate our business successfully, find suitable investments or implement our operating policies and strategies. Our ability to provide attractive risk- adjusted returns to our stockholders over the long term depends on our ability both to generate sufficient cash flow to pay an attractive dividend and to achieve capital appreciation, and we may not be able to do either. Similarly, we may not be able to generate sufficient revenue from operations to pay our operating expenses and make distributions to stockholders. The results of our operations will depend on several factors, including the availability of opportunities for the acquisition or origination of target assets, the level and volatility of interest rates, the availability of equity capital as well as adequate short- and long- term financing, conditions in the financial markets and economic conditions. In addition, our future operating results and financial data may vary materially from the historical operating results and financial data contained in this ~~annual~~ **Annual** ~~report~~ **Report** because of a number of factors. Consequently, the historical financial statements contained in this ~~annual~~ **Annual** ~~report~~ **Report** may not be useful in assessing our likely future performance. We depend upon key personnel of our Manager and its affiliates. We are an externally managed REIT and therefore we do not have any internal management capacity and only have accounting employees. We will depend to a significant degree on the diligence, skill and network of business contacts of the management team and other key personnel of our Manager, including Messrs. Dondero ~~, Goetz~~ , Mitts, McGraner, Sauter, Richards and Willmore, all of whom may be difficult to replace. We expect that our Manager will evaluate, negotiate, structure, close and monitor our loans and investments in accordance with the terms of the Management Agreement. We will also depend upon the senior professionals of our Manager to maintain relationships with sources of potential loans and investments, and we intend to rely upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to provide indirect investment advice to us. If these individuals, including the members of the management team of our Manager, do not maintain their existing relationships with our Manager, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of our Manager have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that these relationships will generate investment opportunities for us. We are dependent upon our Manager and its affiliates to conduct our day- to- day operations; thus, adverse changes in their financial health or our

relationship with them could cause our operations to suffer. We are dependent on our Manager and its affiliates to manage our operations and originate, structure and manage our loans and investments. All of our investment decisions are made by our Manager, subject to general oversight by our Manager' s investment committee and our Board. Any adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could hinder our Manager' s ability to successfully manage our operations and our portfolio of loans and investments, which could materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. Our Manager manages our portfolio pursuant to very broad investment guidelines and is not required to seek the approval of our Board for each investment, financing, asset allocation or hedging decision made by it, which may result in our making riskier investments and which could materially and adversely affect us. Our Manager is authorized to follow very broad investment guidelines that provide it with substantial discretion in investment, financing, asset allocation and hedging decisions. Our Board will periodically review our investment guidelines and our portfolio but will not, and is not required to, review and approve in advance all of our proposed investments or our Manager' s financing, asset allocation or hedging decisions. In addition, in conducting periodic reviews, our directors may rely primarily on information provided, or recommendations made, to them by our Manager or its affiliates. Subject to qualifying and maintaining our REIT qualification and our exclusion from regulation under the Investment Company Act, our Manager has significant latitude within the broad investment guidelines in determining the types of investments it makes for us, and how such investments are financed or hedged, which could result in investment returns that are substantially below expectations or losses, which could materially and adversely affect us. We may not replicate the historical results achieved by other entities managed or sponsored by affiliates of our Manager, members of our Manager' s management team or by our Sponsor or its affiliates. Our primary focus in making loans and investments generally differs from that of existing investment funds, accounts or other investment vehicles that are or have been managed by affiliates of our Manager, members of our Manager' s management team, our Sponsor or affiliates of our Sponsor. Past performance is not a guarantee of future results, and there can be no assurance that we will achieve comparable results of those Sponsor affiliates. In addition, investors in our securities are not acquiring an interest in any such investment funds, accounts or other investment vehicles that are or have been managed by members of our Manager' s management team or our Sponsor or its affiliates. We also cannot assure you that we will replicate the historical results achieved by members of the management team, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. The Management Agreement may be terminated by (a) us, upon a cause event (as defined in the Management Agreement), on 30 days' written notice, (b) either party, without cause, upon the expiration of the then- current term with at least 180 days' written notice to the other party prior to the expiration of such term, (c) our Manager, upon 30 days' written notice if we materially breach the agreement and such breach continues for 30 days before we are given such notice or (d) automatically in the event of an Advisers Act Assignment unless we provide written consent. If the Management Agreement is terminated for any one of these reasons, we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business, results of operations and cash flows. The Management Agreement may be terminated by (a) us, upon a cause event (as defined in the Management Agreement), on 30 days' written notice, (b) either party, without cause, upon the expiration of the then- current term with at least 180 days' written notice to the other party prior to the expiration of such term, (c) our Manager, upon 30 days' written notice if we materially breach the agreement and such breach continues for 30 days before we are given such notice or (d) automatically in the event of an Advisers Act Assignment) unless we provide written consent. If the Management Agreement is terminated and no suitable replacement is found, we may not be able to execute our business plan. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Manager and its affiliates. Even if we are able to retain comparable management, the integration of such management and its lack of familiarity with our investment objectives may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows. Furthermore, we may incur certain costs in connection with a termination or non- renewal of the Management Agreement, including a termination fee equal to three times the Manager' s Annual Fee (unless the Management Agreement is terminated as a result of a cause event or an Advisers Act Assignment). Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Our Manager' s liability is limited under the Management Agreement, and we have agreed to indemnify our Manager against certain liabilities. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Under the terms of the Management Agreement, our Manager and its affiliates and their respective partners, members, officers, directors, employees and agents will not be liable to us (including but not limited to (1) any act or omission in connection with the conduct of our business that is determined in good faith to be in or not opposed to our best interest, (2) any act or omission based on the suggestions of certain professional advisors, (3) any act or omission by us, or (4) any mistake, negligence, misconduct or bad faith of certain brokers or other agents), unless any act or omission constitutes bad faith, fraud, willful misfeasance, intentional misconduct, gross negligence or reckless disregard of duties. We have also agreed to indemnify our Manager and its affiliates and their respective partners, members, officers, directors, employees and agents from and against any and all claims, liabilities, damages, losses, costs and expenses that are incurred and arise out of or in connection with our business or investments, or the performance by the indemnitee of its responsibilities under the Management Agreement, provided that the conduct at issue did not constitute bad faith, fraud, willful misfeasance, intentional misconduct, gross negligence or reckless disregard of duties. As a result, we could experience poor performance or losses for which our Manager would not be liable. Under the terms of the Management Agreement, our Manager will indemnify and hold us harmless from all claims, liabilities, damages, losses, costs and expenses, including amounts paid in satisfaction of judgments, in compromises and settlements, as fines and penalties and legal or other costs and expenses of investigating or defending against any claim or

alleged claim, of any nature whatsoever, known or unknown, liquidated or unliquidated, that are incurred by reason of our Manager' s bad faith, fraud, willful misfeasance, intentional misconduct, gross negligence or reckless disregard of its duties; provided, however, that our Manager will not be held responsible for any action of our Board in following or declining to follow any written advice or written recommendation given by our Manager. However, the aggregate maximum amount that our Manager may be liable to us pursuant to the Management Agreement will, to the extent not prohibited by law, never exceed the amount of the management fees received by our Manager under the Management Agreement prior to the date that the acts or omissions giving rise to a claim for indemnification or liability have occurred. In addition, our Manager will not be liable for special, exemplary, punitive, indirect, or consequential loss, or damage of any kind whatsoever, including without limitation lost profits. The limitations described in the preceding two sentences will not apply, however, to the extent such damages are determined in a final binding non- appealable court or arbitration proceeding to result from the bad faith, fraud, willful misfeasance, intentional misconduct, gross negligence or reckless disregard of our Manager' s duties. We may change our targeted investments without stockholder consent. Our current portfolio of investments consists SFR Loans, CMBS B- Pieces, CMBS I / O Strips, mezzanine loans, preferred equity investments, common ~~stock~~ **equity** investments, multifamily properties, MSCR Notes and mortgage ~~-~~ backed securities. We currently concentrate on investments in real estate sectors where our senior management team has operating expertise, including in the multifamily, SFR, self- storage, life science, hospitality and office sectors predominantly in the top 50 MSAs. In addition, the Company targets lending or investing in properties that are stabilized or have a " light transitional " business plan, meaning a property that requires limited deferred funding to support leasing or ramp- up of operations and for which most capital expenditures are for value- add improvements. Though this is our current target portfolio, we may make adjustments to our target portfolio based on real estate market conditions and investment opportunities, and we may change our targeted investments and investment guidelines at any time without the consent of our stockholders. Any such change could result in our making investments that are different from, and possibly riskier than, the investments described in this ~~annual~~ **Annual** ~~report~~ **Report** . These policies may change over time. A change in our targeted investments or investment guidelines, which may occur without notice to you or without your consent, may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect the value of our securities and our ability to make distributions to you. We intend to disclose any changes in our investment policies in our next required periodic report. We will pay substantial fees and expenses to our Manager and its affiliates, which payments increase the risk that you will not earn a profit on your investment. Pursuant to the Management Agreement, we will pay significant fees to our Manager and its affiliates. Those fees include management fees and obligations to reimburse our Manager and its affiliates for expenses they incur in connection with their providing services to us, including certain personnel services. Additionally, we have adopted a long- term incentive plan that provides us the ability to grant awards to employees of our Manager and its affiliates. For additional information on these fees and the fees paid to our Manager, see " Item 1. Business — Our Management Agreement " and Note ~~13~~ **14** to our consolidated financial statements for more information. If we internalize our management functions, we may not achieve the perceived benefits of the internalization transaction. In the future, our Board may consider internalizing the functions performed for us by our Manager by, among other methods, acquiring our Manager' s assets. The method by which we could internalize these functions could take many forms. There is no assurance that internalizing our management functions will be beneficial to us and our stockholders. An acquisition of our Manager could result in dilution of your interest as a stockholder and could reduce earnings per share. Additionally, we may not realize the perceived benefits or we may not be able to properly integrate a new staff of managers and employees or we may not be able to effectively replicate the services provided previously by our Manager or its affiliates. Internalization transactions, including, without limitation, transactions involving the acquisition of affiliated advisors have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending claims which would reduce the amount of funds available for us to invest and to pay distributions. All of these factors could have a material adverse effect on our results of operations, financial condition and ability to pay distributions. There are significant potential conflicts of interest that could affect our investment returns. As a result of our arrangements with our Sponsor and our Manager, there may be times when our Sponsor and our Manager or their affiliated persons have interests that differ from those of our stockholders, giving rise to a conflict of interest. Our directors and management team serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by our Manager or its affiliates. Similarly, our Manager or its affiliates may have other clients with similar, different or competing investment objectives, including, among others, NexPoint Residential Trust, Inc. (" NXRT "), a publicly traded multifamily REIT, VineBrook Homes Trust, Inc. (" VineBrook "), an SFR REIT, NexPoint Diversified Real Estate Trust (" NXDT "), a publicly traded diversified REIT, and NexPoint Hospitality Trust, Inc. (" NHT "), a publicly traded hospitality REIT listed on the TSX Venture Exchange (" TSXV "), each of which is also managed by members of our management team. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interest of us or our stockholders. For example, the management team of our Manager has, and will continue to have, management responsibilities for other investment funds, accounts or other investment vehicles managed or sponsored by our Manager and its affiliates. Our investment objectives may overlap with the investment objectives of such affiliated investment funds, accounts or other investment vehicles. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by or affiliated with our Manager and its affiliates. Our Manager will seek to allocate investment opportunities among eligible accounts in a manner consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short- term or over time. The Chapter 11 bankruptcy filing by Highland Capital Management, L. P. (" Highland ") may have materially adverse consequences on our business, financial condition and results of operations. On October 16, 2019, Highland, a former affiliate of our Sponsor, filed for Chapter 11 bankruptcy protection with the United States Bankruptcy

Court for the District of Delaware (the " Highland Bankruptcy "), which was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas (the " Bankruptcy Court "). On January 9, 2020, the Bankruptcy Court approved a change of control of Highland, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, Highland' s general partner. On September 21, 2020, Highland filed a plan of reorganization and disclosure statement with the Bankruptcy Court, which was subsequently amended (the " Fifth Amended Plan of Reorganization "). On October 9, 2020, Mr. Dondero resigned as an employee of Highland and as portfolio manager for all Highland- advised funds. As a result of these changes, our Sponsor is no longer under common control with Highland and therefore Highland is no longer affiliated with us. On February 22, 2021, the Bankruptcy Court entered an order confirming Highlands' s Fifth Amended Plan of Reorganization (the " Plan "), which became effective on August 11, 2021. On October 15, 2021, Marc S. Kirschner, as litigation trustee of a litigation subtrust formed pursuant to the Plan, filed a lawsuit (the " Bankruptcy Trust Lawsuit ") against various persons and entities, including our Sponsor and James Dondero. **On March 27, 2023, Marc S. Kirschner filed a motion seeking to voluntarily stay the Bankruptcy Trust Lawsuit, which motion was granted on April 4, 2023. As of January 30, 2024, the Bankruptcy Trust Lawsuit continues to be stayed.** The Bankruptcy Trust Lawsuit does not include claims related to our business or our assets or operations. The Highland Bankruptcy and lawsuits filed in connection therewith, including the Bankruptcy Trust Lawsuit, could expose our Sponsor, our Manager, our affiliates, our management and / or us to negative publicity, which might adversely affect our reputation and / or investor confidence in us, and / or future debt or equity capital raising activities. In addition, the Highland Bankruptcy and the Bankruptcy Trust Lawsuit may be both time consuming and disruptive to our operations and cause significant diversion of management attention and resources which may materially and adversely affect our business, financial condition and results of operations. Further, the Highland Bankruptcy has and may continue to expose our Sponsor, our Manager and our affiliates to claims arising out of our former relationship with Highland that could have an adverse effect on our business, financial condition and results of operations. Litigation against James Dondero and others may have materially adverse consequences on our business, financial condition and results of operations. On February 8, 2023, UBS Securities LLC and its affiliate (collectively, " UBS ") filed a lawsuit in the Supreme Court of the State of New York, County of New York against Mr. Dondero and a number of other persons and entities, seeking to collect on $ 1. 3 billion in judgments UBS obtained against entities that were managed indirectly by Highland (the " UBS Lawsuit "). The UBS Lawsuit does not include claims related to our business or our assets or operations. While neither our Sponsor nor our Manager are parties to the UBS Lawsuit, these proceedings could expose our Sponsor, our Manager, our affiliates, our management and / or us to negative publicity, which might adversely affect our reputation and / or investor confidence in us, and / or future debt or equity capital raising activities. In addition, the UBS Lawsuit may be both time consuming and disruptive to our operations and cause significant diversion of management attention and resources which may materially and adversely affect our business, financial condition and results of operations. The Board ~~has~~ formed an independent special committee to oversee a review of the UBS Lawsuit and its potential impact on the Company. **For additional information on the independent special committee and its review of the UBS Lawsuit, see " Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations. "** We may compete with other entities affiliated with our Manager and our Sponsor for investments. Neither our Manager nor our Sponsor and their affiliates are prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business ventures that compete with ours. Our Manager, our Sponsor and / or their affiliates may provide financing to similarly situated investments. Our Manager and our Sponsor may face conflicts of interest when evaluating investment opportunities for us, and these conflicts of interest may have a negative impact on our ability to make attractive investments. Our Manager, our Sponsor and their respective affiliates, officers and employees face competing demands relating to their time, and this may cause our operating results to suffer. Our Manager, our Sponsor and their respective affiliates, officers and employees are key personnel, general partners, sponsors, managers, owners and advisors of other real estate investment programs, including affiliate- sponsored investment products, some of which have investment objectives and legal and financial obligations similar to ours and may have other business interests as well. Because these persons have competing demands on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. If this occurs, the returns on our investments may suffer. Our Manager and its affiliates will face conflicts of interest, including significant conflicts created by our Manager' s compensation arrangements with us, including compensation which may be required to be paid to our Manager if the Management Agreement is terminated, which could result in actions that are not necessarily in the long- term best interest of our stockholders. Under the Management Agreement, our Manager or its affiliates are entitled to fees based on our " Equity. " Because performance is only one aspect of our Manager' s compensation (as a component of " Equity "), our Manager' s interests are not wholly aligned with those of our stockholders. In that regard, our Manager could be motivated to recommend riskier or more speculative investments that would entitle our Manager to a higher fee. For example, because asset management fees payable to our Manager are based in part on the amount of equity raised, our Manager may have an incentive to raise additional equity capital in order to increase its fees. Our charter permits our Board to issue stock with terms that may subordinate the rights of our stockholders or discourage a third party from acquiring us in a manner that could otherwise result in a premium price to our stockholders. Our Board may classify or reclassify any unissued shares of common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our other stock. The issuance of such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our stock. Our rights and the rights of our stockholders to recover claims against our directors and officers are limited by Maryland law and our organizational documents,

which could reduce your and our recovery against them if they cause us to incur losses. Maryland law provides that a director has no liability in the capacity as a director if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interest and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated. In addition, our charter and our bylaws require us to indemnify our directors and officers for actions taken by them in those capacities and, without requiring a preliminary determination of the ultimate entitlement to indemnification, to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law. We have entered into indemnification agreements with each of our directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken by any of our directors or officers are immune or exculpated from, or indemnified against, liability but which impede our performance, our stockholders' ability to recover damages from that director or officer will be limited. Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders and provide that claims relating to causes of action under the Securities Act may only be brought in federal district courts, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees and could discourage lawsuits against us and our directors, officers and 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 subject matter jurisdiction, any state court located within the state of Maryland, or, if all such state courts do not have subject matter jurisdiction, the United States District Court for the District of Maryland, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Company, (c) any action asserting a claim of breach of any duty owed by any director or officer or other employee of the Company to the Company or to the stockholders of the Company, (d) any action asserting a claim against the Company or any director or officer or other employee of the Company arising pursuant to any provision of the MGCL, the charter or the bylaws, (e) any action or proceeding to interpret, apply, enforce or determine the validity of the charter or the bylaws of the Company (including any right, obligation, or remedy thereunder), (f) any action or proceeding as to which the MGCL confers jurisdiction on the Circuit Court for Baltimore City, Maryland, or (g) any action asserting a claim against the Company or any director or officer or other employee of the Company that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court' s having personal jurisdiction over the indispensable parties named as defendants, except that the foregoing does not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provision could limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which could discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we could incur additional costs associated with resolving such action in other jurisdictions ~~. Our charter and bylaws contain provisions that may delay, defer or prevent an acquisition of our securities or a change in control. Our charter and bylaws contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interest, including the following: • Our Charter Contains Restrictions on the Ownership and Transfer of Our Stock. In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, directly or indirectly or constructively, more than 50 % in value of our issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns shares of our capital stock under this requirement. Additionally, at least 100 persons must beneficially own shares of our capital stock during at least 335 days of a table year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter includes restrictions on the acquisition and ownership of shares of our capital stock. To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter, including the articles supplementary setting forth the terms of the Series A Preferred Stock, prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 6. 2 % by value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or more than 6. 2 % in value of the aggregate of the outstanding shares of our capital stock, including the Series A Preferred Stock. Our Board may, in its sole discretion, subject to such conditions as it may determine and the receipt of certain representations and undertakings, waive the 6. 2 % ownership limit with respect to a particular stockholder if such ownership will not then or in the future jeopardize our qualification as a REIT. Our Board granted James Dondero and his affiliates a waiver allowing them to collectively own up to 65 % of our common stock, has granted waivers to others and may grant additional waivers in the future. Our charter also prohibits any person from, among other things, beneficially or constructively owning shares of our capital stock that would result in our being " closely held " under Section 856 (h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise cause us to fail to qualify as a REIT (including, but not limited to, beneficial ownership or constructive ownership that would result in us owning (actually or constructively) an interest in a tenant that is described in~~

~~Section 856 (d) (2) (B) of the Code if the income derived by us from such tenant would cause us to fail to satisfy any of the gross income requirements of Section 856 (c) of the Code) or a " domestically controlled qualified investment entity " within the meaning of Section 897 (h) of the Code. Our charter provides that any ownership or purported transfer of shares of our capital stock in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee acquiring no rights in such shares. If a transfer of shares of our capital stock would result in our capital stock being beneficially owned by fewer than 100 persons or the transfer to a charitable trust would be ineffective for any reason to prevent a violation of the other restrictions on ownership and transfer of our capital stock, the transfer resulting in such violation will be void ab initio. These ownership limits may prevent a third party from acquiring control of us if our Board does not grant an exemption from the ownership limits, even if our stockholders believe the change in control is in their best interest. Waivers with respect to the ownership limits may be subject to certain initial and ongoing conditions designed to preserve our status as a REIT. • Our Board Has the Power to Cause Us to Issue Additional Shares of Our Stock without Stockholder Approval. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our Board may, without stockholder approval, amend our charter to increase the aggregate number of shares of our common stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of our stockholders~~. Certain provisions of the MGCL may limit the ability of a third party to acquire control of us. 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 such shares. Under the MGCL, certain " business combinations " (including a merger, consolidation, statutory share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an " interested stockholder " (defined generally as any person who beneficially owns, directly or indirectly, 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 such interested stockholder, are prohibited for five years after the most recent date on which such interested stockholder becomes an interested stockholder. Thereafter any such business combination must be generally recommended by the board of directors of the corporation and approved by the affirmative vote of at least (a) 80 % of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two- thirds of the votes entitled to be cast by holders of voting stock of the corporation, other than shares held by the interested stockholder who will (or whose affiliate will) be a party to the business combination or held by an affiliate or associate of the interested stockholder. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by our Board prior to the time that someone becomes an interested stockholder or comply with certain fair price requirements set forth in the MGCL. The MGCL provides that holders of " control shares " of our Company 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 with respect to such shares except to the extent approved by our 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 (defined as shares of the corporation that any of the following persons is entitled to exercise, or direct the exercise of, the voting power in the election of directors: an acquiring person, an officer of the corporation or an employee of the corporation who is also a director of the corporation). " Control shares " are voting shares of stock that, if aggregated with all other such shares of stock owned 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 voting power in electing directors within one of the following ranges of voting power: • one- tenth or more but less than one- third; • one- third or more but less than a majority; or • a majority or more of all voting power. Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval, shares acquired directly from the corporation or shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or acquisitions approved or exempted by the charter or bylaws of the corporation. Pursuant to the Maryland Business Combination Act, our Board has by resolution exempted from the provisions of the Maryland Business Combination Act all business combinations (1) between our Manager or its respective affiliates and us and (2) between any other person and us, provided that such business combination is first approved by our Board (including a majority of our directors who are not affiliates or associates of such person). Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions or resolutions will not be amended or eliminated at any time in the future. Additionally, Title 3, Subtitle 8 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors, without stockholder approval and regardless of what is currently provided in its charter or bylaws, to implement any or all of the following takeover defenses: • a classified board; • a two- thirds vote requirement for removing a director; • a requirement that the number of directors be fixed only by vote of the board of directors; • a requirement that a vacancy on the board be filled only by the remaining directors in office and (if the board is classified) for the remainder of the full term of the class of directors in which the vacancy occurred; and • a majority requirement for the calling of a stockholder- requested special meeting of stockholders. Our charter provides that, at such time as we are able to make a Subtitle 8 election, vacancies on the Board may be filled only by the remaining directors and that directors elected by the Board to fill vacancies will serve for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in

our charter and bylaws unrelated to Subtitle 8, we already, subject to the terms of any class or series of preferred stock, (a) vest in our Board the exclusive power to fix the number of directorships, (b) require a vacancy on our Board to be filled only by the remaining directors in office, even if the remaining directors do not constitute a quorum and (c) require, unless called by our chairman of our Board, our chief executive officer, our president or our Board, the written request of stockholders entitled to cast a majority of all of the votes entitled to be cast at such a meeting to call a special meeting. If we made an election to be subject to the provisions of Subtitle 8 relating to a classified board, our Board would automatically be classified into three classes with staggered terms of office of three years each. In such instance, the classification and staggered terms of office of the directors would make it more difficult for a third party to gain control of our Board since at least two annual meetings of stockholders, instead of one, generally would be required to effect a change in the majority of the directors. Risks Related to Our REIT Status and Other Tax Items We have elected to be treated as a REIT commencing with our taxable year ended December 31, 2020. Our failure to qualify or maintain our qualification as a REIT for U. S. federal income tax purposes would reduce the amount of funds we have available for distribution and limit our ability to make distributions to our stockholders. We have elected to be treated as a REIT under the Code commencing with our taxable year ended December 31, 2020. However, we cannot assure you that we will qualify and remain qualified as a REIT. Our qualification as a REIT depends upon our ability to meet requirements, some on an annual and quarterly basis, regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets and other tests imposed by the Code. The REIT qualification requirements are extremely complex and interpretation of the U. S. federal income tax laws governing qualification as a REIT is limited. Furthermore, future legislative, judicial or administrative changes to the U. S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT. We believe we have been and are organized and qualify as a REIT, and we intend to operate in a manner that will permit us to continue to qualify as a REIT. However, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as a REIT in the future. If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because: • we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U. S. federal income tax at the corporate tax rate; • we could be subject to increased state and local taxes; and • unless we are entitled to relief under certain U. S. federal income tax laws, we could not re- elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT. In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our securities. Furthermore, we currently own one and may acquire additional direct or indirect interests in one or more entities that **have or** will elect to be taxed as REITs under the Code (each, a " Subsidiary REIT "). A Subsidiary REIT is subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to U. S. federal income tax and (ii) the Subsidiary REIT' s failure to qualify 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 qualify as a REIT for U. S. federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to you. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local or non- U. S. taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, our TRS or any TRS we form will be subject to U. S. federal income tax and applicable state and local taxes on their net income. State, local and non- U. S. income tax laws may differ substantially from the corresponding U. S. federal income tax laws. Any federal or state taxes we pay will reduce our cash available for distribution to you. Prospective investors are urged to consult their tax advisors regarding the effect of other U. S. federal, state, local and non- U. S. tax laws on an investment in our stock. To maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such 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 adversely affect our financial condition, results of operations, cash flow and value of our securities. In order to qualify and maintain our qualification as a REIT, we must distribute annually to our stockholders at least 90 % of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy this distribution requirement, but distribute less than 100 % of our REIT taxable income, we will be subject to U. S. federal corporate income tax on our undistributed taxable income. We will also be subject to U. S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4 % nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (a) 85 % of our ordinary income, (b) 95 % of our capital gain net income and (c) 100 % of our undistributed income from prior years. To maintain our REIT qualification and avoid the payment of U. S. federal income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements, even if the then- prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from differences in timing between the actual receipt of income and inclusion of income for U. S. federal income tax purposes. For example, we may be required to accrue interest and discount income on SFR mortgage loans, CMBS B- Pieces, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such 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 debt levels, and our current and potential future earnings. We cannot assure you that we will have access to such 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, and could adversely affect our financial condition, results of operations, cash flow and the value of our securities. 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. The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT. We plan to originate **and invest in** mezzanine loans for which the Internal Revenue Service (the " IRS ") has provided a safe harbor but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it 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 75 % gross income test. We may originate **or invest in** mezzanine loans that do not meet all of the requirements of this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan' s treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, we could fail to qualify as a REIT. There is a lack of clear authority governing the characterization of our mezzanine loans or preferred equity investments for REIT qualification purposes. There is limited case law and administrative guidance addressing whether instruments similar to any mezzanine loans or preferred equity investments that we may **originate or** acquire will be treated as equity or debt for U. S. federal income tax purposes. We typically do not anticipate obtaining private letter rulings from the IRS or opinions of counsel on the characterization of those investments for U. S. federal income tax purposes. If the IRS successfully recharacterizes a mezzanine loan or preferred equity investment that we have treated as debt for U. S. federal income tax purposes as equity for U. S. federal income tax purposes, we would be treated as owning the assets held by the partnership or limited liability company that issued the security and we would be treated as receiving our proportionate share of the income of the entity. There can be no assurance that such an entity will not derive nonqualifying income for purposes of the 75 % or 95 % gross income test or earn income that could be subject to a 100 % penalty tax. Alternatively, if the IRS successfully recharacterizes a mezzanine loan or preferred equity investment that we have treated as equity for U. S. federal income tax purposes as debt for U. S. federal income tax purposes, then that investment may be treated as producing interest income that would be qualifying income for the 95 % gross income test, but not for the 75 % gross income test. If the IRS successfully challenges the classification of our mezzanine loans or preferred equity investments for U. S. federal income tax purposes, no assurance can be provided that we will not fail to satisfy the 75 % or 95 % gross income test. 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 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 such excess inclusion income. In addition, to the extent that our 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, 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. Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate 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 CMBS and debt instruments of publicly offered REITs. The remainder of our investments in securities (other than government securities, securities issued by a TRS 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, securities issued by a TRS 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. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance. Moreover, 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. If our OP failed to qualify as a partnership for U. S. federal income tax purposes, we would cease to qualify as a REIT. We believe that our OP will be treated as a partnership for U. S. federal income tax purposes, and intends to take that position for all income tax reporting positions. As a partnership, our OP generally will not be subject to U. S. federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our OP' s income. We cannot assure you, however, that the IRS will not challenge the status of our OP or any other subsidiary partnership in which we own an interest as a partnership for U. S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our OP or any other such subsidiary partnership as an entity taxable as a corporation for U. S. federal income tax purposes (including by reason of being classified as a publicly traded partnership, unless at least 90 % of its income was qualifying income as defined in the Code, or a " taxable mortgage pool " for U. S. federal income tax purposes), we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT, unless we qualified for certain statutory savings provisions. A " publicly traded partnership " is a partnership

whose partnership interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). Although our OP' s partnership units are not traded on an established securities market, the OP' s units could be viewed as readily tradable on a secondary market (or the substantial equivalent thereof), and our OP may not qualify for one of the " safe harbors " under the applicable tax regulations. Qualifying income for the 90 % test generally includes passive income, such as real property rents, dividends and interest. The income requirements applicable to REITs and the definition of qualifying income for purposes of this 90 % test are similar in most respects. Our OP may not meet this qualifying income test. Also, the failure of our OP or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U. S. federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us. Our ownership of interests in a TRS raises certain tax risks. 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. A TRS also includes any corporation other than a REIT with respect to which a TRS owns securities possessing more than 35 % of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non- customary services to tenants of its parent REIT. A TRS is subject to income tax as a regular C corporation. We currently own interests in a TRS and may acquire securities in additional TRSs in the future. We will be required to pay a 100 % tax on any " redetermined rents, " " redetermined deductions, " " excess interest " or " redetermined TRS service income. " In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a TRS of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a TRS of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm' s- length negotiations. Redetermined TRS service income generally represents amounts by which the gross income of a TRS attributable to its services for or on behalf of us (other than to a tenant of ours) would be increased based on arm' s length negotiations. Our TRS is and any TRS we acquire in the future will be subject to corporate income tax at the U. S. federal, state and local levels (including on the gain realized from the sale of property held by it, as well as on income earned while such property is operated by the TRS). This tax obligation, if material, would diminish the amount of the proceeds from the sale or operation of such property, or other income earned through the TRS that would be distributable to our stockholders. U. S. federal, state and local corporate income tax rates may be increased in the future, and any such increase would reduce the amount of the net proceeds available for distribution by us to our stockholders from the sale of property or other income earned through a TRS after the effective date of any increase in such tax rates. We do not anticipate material income tax obligations in connection with our ownership of interests in TRSs. As a REIT, the value of our interests in our TRSs generally may not exceed 20 % of the total value of our total assets at the end of any calendar quarter. If the IRS were to determine that the value of our interests in all of our TRSs exceeded this limit at the end of any calendar quarter, then we would fail to qualify as a REIT. If we determine it to be in our best interest to own a substantial number of our properties through one or more TRSs, then it is possible that the IRS may conclude that the value of our interests in our TRSs exceeds 20 % of the value of our total assets at the end of any calendar quarter and therefore cause us to fail to qualify as a REIT. Additionally, as a REIT, no more than 25 % of our gross income with respect to any year may, in general, be from sources other than certain real estate- related assets. Dividends paid to us from a TRS are typically considered to be non- real estate income. Therefore, we may fail to qualify as a REIT if dividends from our TRSs, when aggregated with all other non- real estate income with respect to any one year, are more than 25 % of our gross income with respect to such year. Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends. Currently, the maximum tax rate applicable to qualified dividend income payable to U. S. stockholders that are individuals, trusts and estates is 20 %. Dividends payable by REITs, however, generally are not eligible for this reduced rate. 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 before January 1, 2026. To qualify for this deduction, the U. S. stockholder receiving such dividends must hold the dividend- paying REIT stock for at least 46 days (taking into account certain special holding period rules) of the 91- day period beginning 45 days before the stock becomes ex- dividend and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. 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 securities. In addition, certain U. S. stockholders may be subject to a 3. 8 % Medicare tax on dividends payable by REITs. The share ownership restrictions of the Code for REITs and the 6. 2 % share ownership limits in our charter may inhibit market activity in shares of our stock and restrict our business combination opportunities. In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, directly or indirectly or constructively, more than 50 % in value of our issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns shares of our capital stock under this requirement. Additionally, at least 100 persons must beneficially own shares of our capital stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter includes restrictions on the acquisition and ownership of shares of our capital stock. To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter, including the articles supplementary setting forth the terms of the Series A Preferred Stock, prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules

under the Code, more than 6. 2 % by value or number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock, or 6. 2 % by value of the aggregate of the outstanding shares of our capital stock, including the Series A Preferred Stock **and Series B Preferred Stock** . Our Board may, in its sole discretion, subject to such conditions as it may determine and the receipt of certain representations and undertakings, waive the 6. 2 % ownership limit with respect to a particular stockholder if such ownership will not then or in the future jeopardize our qualification as a REIT. Our Board granted James Dondero and his affiliates a waiver allowing them to collectively own up to 65 % of our **outstanding** common stock, has granted waivers to others and may grant additional waivers in the future. Our charter also prohibits any person from, among other things, beneficially or constructively owning shares of our capital stock that would result in our being " closely held " under Section 856 (h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise cause us to fail to qualify as a REIT or a " domestically controlled qualified investment entity " within the meaning of Section 897 (h) of the Code. Our charter provides that any ownership or purported transfer of our capital stock in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee acquiring no rights in such shares. If a transfer of shares of our capital stock would result in our capital stock being beneficially owned by fewer than 100 persons or the transfer to a charitable trust would be ineffective for any reason to prevent a violation of the other restrictions on ownership and transfer of our capital stock, the transfer resulting in such violation will be void ab initio. **These ownership limits may prevent a third party from acquiring control of us if our Board does not grant an exemption from the ownership limits, even if our stockholders believe such change of control is in their best interest.** Waivers with respect to the ownership limits may be subject to certain initial and ongoing conditions designed to preserve our status as a REIT. These restrictions on transferability and ownership will not apply, however, if our Board determines that it is no longer in our best interest to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to so qualify as a REIT. These ownership limits could **also** delay or prevent a transaction or a change in control that might involve a premium price for our securities or otherwise be in the best interest of the stockholders. Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities. The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets or to offset certain other positions, if properly identified under applicable Treasury regulations, does not constitute " gross income " for purposes of the 75 % or 95 % gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non- qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a ~~domestic~~ 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 from hedges held in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of such TRS. Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment. For so long as we qualify as a REIT, our ability to dispose of assets may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT, we will be subject to a 100 % penalty tax on any gain recognized on the sale or other disposition of any asset (other than foreclosure property) that we own or hold an interest in, directly or indirectly through any subsidiary entity, including our OP, but generally excluding TRSs, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. During such time as we qualify as a REIT, we intend to avoid the 100 % prohibited transaction tax by (a) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS will incur corporate rate income taxes with respect to any income or gain recognized by it), (b) conducting our operations in such a manner so that no sale or other disposition of an asset we own or hold an interest in, directly or through any subsidiary, will be treated as a prohibited transaction, or (c) structuring certain dispositions to comply with the requirements of the prohibited transaction safe harbor available under the Code that, among other requirements, have been held for at least two years. No assurance can be given that any particular asset that we own or hold an interest in, directly or through any subsidiary entity, including our OP, but generally excluding TRSs, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business. The 100 % tax described above may limit our ability to enter into transactions that would otherwise be beneficial to us. For example, if circumstances make it not profitable or otherwise uneconomical for us to remain in certain states or geographical markets, the 100 % tax could delay our ability to exit those states or markets by selling our assets in those states or markets other than through a TRS, which could harm our operating profits. We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them. We may acquire ~~CMBS or~~ debt instruments **, including but not limited to SFR mortgage loans and CMBS B- Pieces,** in the secondary market for less than their face amount. The amount of such 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 had previously reported as income, we may not be able to benefit from any offsetting loss deductions. Similarly, some of the CMBS that we acquire may have been issued with original issue discount. We will be required to report such original issue discount 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 instruments or CMBS acquired by us are 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 taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to subordinate CMBS at their stated rate regardless of whether corresponding cash payments are received or are ultimately collectable. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter. The interest apportionment rules under Treasury Regulation Section 1. 856- 5 (c) provide that, if a mortgage is secured by both real property and other property, a REIT is required to apportion its annual interest income to the real property security based on a fraction, the numerator of which is the value of the real property securing the loan, determined when the REIT commits to acquire the loan, and the denominator of which is the highest " principal amount " of the loan during the year. In IRS Revenue Procedure 2014- 51, the IRS interprets the " principal amount " of the loan to be the face amount of the loan, despite the Code requiring taxpayers to treat any market discount, that is the difference between the purchase price of the loan and its face amount, for all purposes (other than certain withholding and information reporting purposes) as interest rather than principal. If we invest in mortgage loans to which the interest apportionment rules described above would apply and the IRS were to assert successfully that our mortgage loans were secured by property other than real estate, the interest apportionment rules applied for purposes of our REIT testing, and that the position taken in IRS Revenue Procedure 2014- 51 should be applied to our portfolio, then depending upon the value of the real property securing our mortgage loans and their face amount, and the sources of our gross income generally, we may fail to meet the 75 % gross income test. If we do not meet this test, we could potentially lose our REIT qualification or be required to pay a penalty to the IRS. The ability of our Board to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders. Our charter provides that our Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U. S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our stockholders. Legislative or other actions affecting REITs could have a negative effect on our stockholders or us. The rules dealing with U. S. 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 investors or 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 U. S. federal income tax consequences of such qualification, or the U. S. 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 such other entities more attractive relative to an investment in a REIT. Prospective investors are urged to consult with their tax advisors regarding the effect of potential changes to the U. S. federal tax laws on an investment in our stock. We and our subsidiaries and stockholders may be subject to state, local or foreign tax filing and payment obligations taxation in various jurisdictions including those in which we or they transact business, own property or reside. We may own assets located in, or transact business in, numerous jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. Our state, local or foreign tax treatment and that of our stockholders may not conform to the U. S. federal income tax treatment discussed above. Prospective investors should consult their tax advisors regarding the application and effect of state and local income and other tax laws on an investment in our stock. Foreign investors may be subject to U. S. federal withholding tax and may be subject to U. S. federal income tax on distributions received from us and upon disposition of shares of our common stock. Subject to certain exceptions, distributions received from us will be treated as dividends of ordinary income to the extent of our current or accumulated earnings and profits. Such dividends paid to a non- U. S. stockholder ordinarily will be subject to U. S. withholding tax at a 30 % rate, or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as " effectively connected " with the conduct by the non- U. S. stockholder of a U. S. trade or business. Pursuant to the Foreign Investment in Real Property Tax Act of 1980 (" FIRPTA "), capital gain distributions attributable to sales or exchanges of " U. S. real property interests " (" USRPIs "), generally will be taxed to a non- U. S. stockholder as if such gain were effectively connected with a U. S. trade or business. However, a capital gain dividend will not be treated as effectively connected income if (1) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States and (2) the non- U. S. stockholder does not own more than 10 % of the class of our stock at any time during the one- year period ending on the date the distribution is received. Gain recognized by a non- U. S. stockholder upon the sale or exchange of our common stock generally will not be subject to U. S. federal income taxation unless such stock constitutes a USRPI under FIRPTA. Our common stock will not constitute a USRPI so long as we are a " domestically- controlled " REIT. A REIT is " domestically controlled " if less than 50 % of the REIT' s stock, by value, has been owned directly or indirectly by persons who are not qualifying U. S. persons during a continuous five- year period ending on the date of disposition or, if shorter, during the entire period of the REIT' s existence. We cannot assure you that we will qualify as a " domestically controlled " REIT. If we were to fail to so qualify, gain realized by foreign investors on a sale of shares of our stock would be subject to FIRPTA tax, unless the shares of our stock were traded on an established securities market and the foreign investor did not at any time during a specified testing period directly or indirectly own more than 10 % of the value of our outstanding common stock. Risks Related to the Ownership of Our Common Stock The concentration of our share ownership may limit your ability to influence corporate matters. Our Sponsor is the ultimate parent of our Manager and may be deemed to beneficially own approximately 16. 8 % of

our outstanding voting securities as of December 31, ~~2022~~ **2023** . James Dondero is the sole member of the general partner of our Sponsor. As a result of this relationship, Mr. Dondero has shared voting and dispositive power with respect to shares beneficially owned by our Sponsor. In addition, Mr. Dondero has relationships with certain other holders of our common stock which may result in Mr. Dondero being deemed to have aggregate beneficial ownership of approximately 8, ~~790~~ **867** , ~~788~~ **206** shares (or 51. 5 % of our common stock) and shared voting and dispositive power over approximately 8, ~~739~~ **765** , ~~833~~ **545** shares (or ~~51~~ **50** . ~~2~~ **9** % of our common stock) as of December 31, ~~2022~~ **2023** . The concentration of our share ownership may limit your ability to influence corporate matters. Mr. Dondero and his affiliates may exert substantial influence on actions requiring a stockholder vote, potentially in a manner that you do not support, including amendments to our charter and approval of major corporate transactions, including the decision to enter into any corporate transaction. Such concentration of voting power could have the effect of delaying, deterring, or preventing a change of control or other business combination, which could, in turn, have an adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the then- prevailing market price for their common stock. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and accordingly, they could cause us to enter into transactions or agreements that we would not otherwise consider. In addition, sales of significant amounts of shares beneficially held by our Sponsor or other holders of our common stock with whom Mr. Dondero has relationships, or the prospect of these sales, could adversely affect the market price of our common stock. This concentrated stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price. Broad market fluctuations could negatively impact the market price of our common stock. The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could affect our stock price or result in fluctuations in the price or trading volume of our common stock include: • actual or anticipated variations in our quarterly operating results, financial condition, cash flow and liquidity, or changes in investment strategy or prospects; • changes in our operations or earnings estimates or publication of research reports about us or the real estate industry; • loss of a major funding source or inability to obtain new favorable funding sources in the future; • our financing strategy and leverage; • actual or anticipated accounting problems; • changes in market valuations of similar companies; • increases in interest rates that lead purchasers of our shares to demand a higher yield; • adverse market reaction to any increased indebtedness we incur in the future; • additions or departures of key management personnel; • actions by institutional stockholders; • speculation in the press or investment community; • the realization of any of the other risk factors presented in this ~~annual~~ **Annual** ~~report~~ **Report** ; • the extent of investor interest in our securities; • the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate- based companies; • our underlying asset value; • investor confidence and price and volume fluctuations in the stock and bond markets, generally; • changes in laws, regulatory policies or tax guidelines, or interpretations thereof, particularly with respect to REITs; • future equity issuances by us, or share resales by our stockholders, or the perception that such issuances or resales may occur; • failure to meet income estimates; • failure to meet and maintain REIT qualifications or exclusion from Investment Company Act regulations or listing on the NYSE; and • general market and economic conditions. In the past, class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management' s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock. The form, timing and / or amount of dividend distributions on our common stock in future periods may vary and be impacted by economic and other considerations. The form, timing and / or amount of dividend distributions on our common stock will be declared at the discretion of our Board and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as our Board may consider relevant. Our Board may modify our dividend policy from time to time. We may be unable to make distributions on our common stock at expected levels, which could result in a decrease in the market price of our common stock. If sufficient cash is not available for distribution from our operations, we may have to fund distributions on our common stock from working capital, borrow to provide funds for such distributions, reduce the amount of such distributions, or issue stock dividends. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than we expect, our inability to make the expected distributions could result in a decrease in the market price of our common stock. All distributions on our common stock will be made at the discretion of our Board and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our Board may deem relevant from time to time. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could result in a decrease in the market price of our common stock. Future issuances of debt securities and equity securities may negatively affect the market price of shares of our common stock and, in the case of equity securities, may be dilutive to owners of our common stock and could reduce the overall value of an investment in our common stock. In the future, we may issue debt or equity securities or incur other financial obligations, including stock dividends and shares that may be issued in exchange for common stock. Upon liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before common stockholders. We are not required to offer any such additional debt or equity securities to stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities (including common stock and convertible preferred stock), warrants or options, will dilute the holdings

of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of shares of our common stock. Any convertible preferred stock would have, and any series or class of our preferred stock would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Holders of shares of our common stock do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue 600, 000, 000 shares of capital stock, of which 500, 000, 000 shares are shares of common stock and 100, 000, 000 shares are shares of preferred stock, of which 11, 300, 000 shares have been classified as our Series A Preferred Stock **and 16, 000, 000 shares have been classified as shares of our Series B Preferred Stock** . Our Board may increase the number of authorized shares of capital stock without stockholder approval. In the future, our Board may elect to (1) sell additional shares in future public offerings; (2) issue equity interests in private offerings; (3) issue shares of our common stock under a long- term incentive plan to our non- employee directors or to employees of our Manager or its affiliates; (4) issue shares to our Manager, its successors or assigns, in payment of an outstanding fee obligation or as consideration in a related- party transaction; or (5) issue shares of our common stock in connection with a redemption of OP Units. To the extent we issue additional equity interests in the future, the percentage ownership interest held by holders of shares of our common stock will be diluted. Further, depending upon the terms of such transactions, most notably the offering price per share, holders of shares of our common stock may also experience a dilution in the book value of their investment in us. Common stock eligible for future sale may have adverse effects on our share price. We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock. We may issue additional shares in future public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to stockholders on a preemptive basis. Therefore, it may not be possible for stockholders to participate in such future share issuances, which may dilute such stockholders' interests in us. The rights of our common stockholders are limited by and subordinate to the rights of the holders of Series A Preferred Stock and **Series B Preferred Stock and** these rights may have a negative effect on the value of shares of our common stock. The holders of shares of our Series A **Preferred Stock and Series B** Preferred Stock have rights and preferences generally senior to those of the holders of our common stock. The existence of these senior rights and preferences may have a negative effect on the value of shares of our common stock. These rights are more fully set forth in the articles supplementary setting forth the terms of the Series A Preferred Stock **and in the articles supplementary setting forth the terms of the Series B Preferred Stock** , and include, but are not limited to: (i) the right to receive a liquidation preference, prior to any distribution of our assets to the holders of our common stock; and (ii) **for the Series A Preferred Stock,** the right to convert into shares of our common stock upon the occurrence of a Change of Control (as defined in the articles supplementary setting forth the terms of the Series A Preferred Stock), which may be adjusted as set forth therein. In addition, the Series A Preferred Stock **and Series B Preferred Stock** rank senior to our common stock with respect to priority of such dividend payments, which may limit our ability to make distributions to holders of our common stock. **Holders of Series B Preferred Stock also have the right to request we redeem their shares at any time, and we may elect to pay any such redemption price in shares of our common stock, which would be dilutive to existing holders of shares of our common stock.** Risks Related to the Ownership of the Series A **Preferred Stock and Series B** Preferred Stock Holders of Series A Preferred Stock have extremely limited voting rights. Holders of Series A Preferred Stock have limited voting rights. Our shares of common stock are the only class of our securities that carry full voting rights. Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect, together with holders of our capital stock having similar voting rights, two additional directors to our Board in the event that six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to our charter or articles supplementary relating to the Series A Preferred Stock that materially and adversely affect the rights of the holders of Series A Preferred Stock or create additional classes or series of our capital stock expressly designated as ranking senior to the Series A Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up. Other than the limited circumstances described in the articles supplementary setting forth the terms of the Series A Preferred Stock, holders of Series A **Preferred Stock do not have any voting rights. Holders of Series B Preferred Stock have extremely limited voting rights. Holders of Series B Preferred Stock have limited voting rights. Our shares of common stock are the only class of our securities that carry full voting rights. Voting rights for holders of Series B Preferred Stock exist primarily with respect to voting on amendments to our charter or articles supplementary relating to the Series B Preferred Stock that materially and adversely affect the rights of the holders of Series B Preferred Stock or create additional classes or series of our capital stock expressly designated as ranking senior to the Series B Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up. Other than the limited circumstances described in the articles supplementary setting forth the terms of the Series B Preferred Stock, holders of Series B** Preferred Stock do not have any voting rights. The market price and trading volume of the Series A Preferred Stock may fluctuate significantly and be volatile due to numerous circumstances beyond our control. The Series A Preferred Stock is listed on the NYSE, but there can be no assurance that an active trading market will be maintained on the NYSE. Further, the Series A Preferred Stock may trade at prices lower than the public offering price, and the market price of the Series A Preferred Stock depends on many factors, including, but not limited to: • prevailing interest rates; • the market for similar securities; • general economic and financial market conditions; • our issuance, as well as the issuance by our subsidiaries, of additional preferred equity or debt securities; and • our financial condition, cash flows, liquidity, results of operations, funds from operations and prospects. The trading prices of common and preferred equity securities issued by REITs and other real estate companies historically have been affected by changes in interest rates. One of the factors that may influence the market price of the Series A Preferred Stock is the annual yield from distributions on the Series A Preferred Stock as compared to yields on other financial instruments. An increase in interest rates

may lead prospective purchasers of the Series A Preferred Stock to demand a higher annual yield, which could reduce the market price of the Series A Preferred Stock. Future offerings of debt securities or shares of our capital stock, including future offerings of traded or non- traded preferred stock, expressly designated as ranking senior to the Series A Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up may adversely affect the market price of the Series A Preferred Stock. **There is no market for our Series B Preferred Stock and one may not develop. The Series B Preferred Stock is not listed on a national exchange. There is no public market for our Series B Preferred Stock and one is not guaranteed to develop. However, should one develop or should we determine to publicly list our Series B Preferred Stock, we cannot predict the effect, if any, of future sales of our Series B Preferred Stock on the market price, if any, of our Series B Preferred Stock. Sales of substantial amounts of Series B Preferred Stock or the perception that such sales could occur may adversely affect the prevailing market price, if any, for our Series B Preferred Stock.** Our cash available for distribution may not be sufficient to pay dividends on the Series A Preferred Stock **and Series B Preferred Stock** at expected levels, and we cannot assure you of our ability to pay dividends in the future. We may use borrowed funds or funds from other sources to pay dividends, which may adversely impact our operations. We intend to pay regular quarterly dividends to our **Series A** preferred **stockholders and regular monthly dividends to our Series B Preferred** stockholders. Distributions declared by us will be authorized by our Board in its sole discretion out of assets legally available for distribution and will depend upon a number of factors, including our earnings, our financial condition, the requirements for qualification as a REIT, restrictions under applicable law, our need to comply with the terms of our existing financing arrangements, the capital requirements of the Company and other factors as our Board may deem relevant from time to time. We may have to fund distributions from working capital, borrow to provide funds for such distributions, use proceeds of future offerings or sell assets to the extent distributions exceed earnings or cash flows from operations. Funding distributions from working capital would restrict our operations. If we are required to sell assets to fund dividends, such asset sales may occur at a time or in a manner that is not consistent with our disposition strategy. If we borrow to fund dividends, our leverage ratios and future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. We may not be able to pay dividends in the future. In addition, some of our distributions may be considered a return of capital for income tax purposes. If we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U. S. federal income tax purposes to the extent of the holder' s adjusted tax basis in their shares. A return of capital is not taxable, but it has the effect of reducing the holder' s adjusted tax basis in its investment. If distributions exceed the adjusted tax basis of a holder' s shares, they will be treated as gain from the sale or exchange of such stock. Holders of Series A Preferred Stock may not be permitted to exercise conversion rights upon a change of control. If exercisable, the change of control conversion feature of the Series A Preferred Stock may not adequately compensate such holders, and the change of control conversion and redemption features of the Series A Preferred Stock may make it more difficult for a party to take over our company or discourage a party from taking over our company. Beginning on July 24, 2021 upon the occurrence of a Change of Control, holders of Series A Preferred Stock have the right to convert some or all of their Series A Preferred Stock into our common stock (or equivalent value of alternative consideration). Notwithstanding that we generally may not redeem the Series A Preferred Stock prior to July 24, 2025, we have a special optional redemption right to redeem the Series A Preferred Stock in the event of a Change of Control, and holders of Series A Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the Change of Control Conversion Date (as defined in the articles supplementary setting forth the terms of the Series A Preferred Stock). Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the Share Cap (as defined in the articles supplementary setting forth the terms of the Series A Preferred Stock) multiplied by the number of Series A Preferred Stock converted. If the Common Stock Price (as defined in the articles supplementary setting forth the terms of the Series A Preferred Stock) is less than $ 7. 58 (which is approximately 50 % of the per- share closing sale price of our common stock on July 17, 2020), subject to adjustment, each holder will receive a maximum of 3. 2982 shares of our common stock per share of Series A Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series A Preferred Stock. In addition, those features of the Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then- current market price or that stockholders may otherwise believe is in their best interest. The Series A Preferred Stock ~~is~~ **and Series B Preferred Stock are** subordinate to our existing and future debt, and such interests could be diluted by the issuance of additional shares of preferred stock and by other transactions. The Series A Preferred Stock **and Series B Preferred Stock** ~~ranks~~ - **rank** junior to all of our existing and future indebtedness, any classes and series of our capital stock expressly designated as ranking senior to the Series A **Preferred Stock and Series B** Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up, and other non- equity claims on us and our assets available to satisfy claims against us, including claims in bankruptcy, liquidation or similar proceedings. Our charter currently authorizes the issuance of up to 100, 000, 000 shares of preferred stock in one or more classes or series, 11, 300, 000 of which have been classified as Series A Preferred Stock **and 16, 000, 000 of which have been classified as Series B Preferred Stock** . Subject to limitations prescribed by Maryland law and our charter, our Board is authorized to issue, from our authorized but unissued shares of capital stock, preferred stock in such classes or series as our Board may determine and to establish from time to time the number of shares of preferred stock to be included in any such class or series. The issuance of additional shares of Series A **Preferred Stock, Series B** Preferred Stock or additional shares of our capital stock ranking on parity with the Series A Preferred Stock **and Series B Preferred Stock** as to distribution rights and rights upon our liquidation, dissolution or winding up, would dilute the interests of the holders of Series A **Preferred Stock and Series B** Preferred Stock, and the issuance of shares of any class or series of our capital stock expressly designated as ranking senior to the Series A Preferred Stock **and**

Series B Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up or the incurrence of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A **Preferred Stock and Series B** Preferred Stock. Other than the conversion right afforded to holders of Series A Preferred Stock that may become exercisable in connection with certain changes of control as described in the articles supplementary setting forth the terms of the Series A Preferred Stock **and the redemption right afforded to holders of Series B Preferred Stock**, none of the provisions relating to the Series A **Preferred Stock or Series B** Preferred Stock contain any terms relating to or limiting our indebtedness or affording the holders of Series A Preferred Stock **or Series B Preferred Stock** protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets, that might adversely affect the holders of Series A Preferred Stock **and Series B Preferred Stock**, so long as the rights of the holders of Series A **Preferred Stock and Series B** Preferred Stock are not materially and adversely affected. The Series A Preferred Stock ~~has~~ **and Series B Preferred Stock have** not been rated. We have not sought to obtain ~~a rating~~ **ratings** for the Series A **Preferred Stock and Series B** Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series A Preferred Stock **or Series B Preferred Stock (if any)**. In addition, we may elect in the future to obtain a rating of the Series A Preferred Stock **or Series B Preferred Stock**, which could adversely impact the market price of the Series A Preferred Stock **or Series B Preferred Stock (if any)**. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Stock **or Series B Preferred Stock (if any)**. The 5. 75 % Notes, OP Notes and future offerings of debt securities or shares of our capital stock expressly designated as ranking senior to our Series A Preferred Stock **and Series B Preferred Stock** as to distribution rights and rights upon our liquidation, dissolution or winding up may adversely affect the market price of our Series A Preferred Stock. The indenture governing the 5. 75 % Notes and the note purchase agreements governing the OP Notes restrict our operating flexibility and if we decide to issue additional debt securities or shares of our capital stock, including traded or non- traded preferred stock, expressly designated as ranking senior to the Series A **Preferred Stock and Series B** Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up in the future, it is possible that those securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable debt securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock **or Series B Preferred Stock** and may result in dilution to owners of the Series A **Preferred Stock or Series B** Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt securities or shares of our capital stock expressly designated as ranking senior to the Series A **Preferred Stock and Series B** Preferred Stock as to distribution rights and rights upon our liquidation, dissolution or winding up in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of the Series A Preferred Stock will bear the risk of our future offerings reducing the market price of the Series A Preferred Stock and diluting the value of their share holdings in us. General Risks We are highly dependent on information technology and security breaches or systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our securities and our ability to pay dividends. Our business is highly dependent on information technology. In the ordinary course of our business, we may store sensitive data, including our proprietary business information and that of our business partners, on our networks. The secure maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions **, the risk of which may be heightened by the increased prevalence and use of artificial intelligence**. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disrupt our operations, disrupt our trading activities, or damage our reputation, which could have a material adverse effect on our financial results and negatively affect the market price of our securities and our ability to pay dividends to stockholders. In addition, although our Manager maintains insurance coverage that may cover certain aspects of our cyber and information security risks, such insurance coverage may be insufficient to cover all losses, such as litigation costs or financial losses that exceed policy limits or are not covered under any of our Manager' s current insurance policies. The resources required to protect our information technology and infrastructure, and to comply with the laws and regulations related to data and privacy protection, are subject to uncertainty. Even in circumstances where we are able to successfully protect such technology and infrastructure from attacks, we may incur significant expenses in connection with our responses to such attacks. In addition, recent well- publicized security breaches have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber- security attacks, and may in the future result in heightened cyber- security requirements and / or additional regulatory oversight. As cyber- security threats and government and regulatory oversight of associated risks continue to evolve, we may be required to expend additional resources to enhance or expand upon the security measures we currently maintain. Any such actions may adversely impact our results of operations and financial condition. Furthermore, if some of our or our Manager' s employees are required to work remotely in the future due to the COVID- 19 pandemic or other pandemics or infectious diseases, or if we or our Manager allow permanent or significant remote work by any of our or its employees, there may be an increased risk of disruption to our operations because they may be utilizing residential networks and infrastructure which may not be as secure as in our office environment. ~~The current~~ **Risk of Pandemics or Other Health Crises. Pandemics, epidemics or other health crises, including** COVID- 19 ~~pandemic or~~ **, have and could in** the future **disrupt** ~~outbreak of other highly infectious or~~ **our** ~~contagious diseases~~ **business. Both global and locally targeted health**

events could materially **affect areas where our properties, corporate offices or major service providers are located. These events have and could in the future have** ~~and~~ - **an** ~~adversely~~ -- **adverse** ~~impact~~ **effect on** ~~or~~ **our** ~~disrupt our~~ **business, results of operations,** financial condition ~~, results of operations, cash flows~~ and **liquidity in a number of ways** ~~performance. The COVID- 19 pandemic has had~~ , ~~and~~ **including, but not limited to: •** ~~other~~ -- **the deterioration** ~~pandemics in the future could have, repercussions across regional and global economies and financial markets. The outbreak~~ of ~~COVID- 19 has significantly adversely impacted~~ global economic **conditions** ~~activity and has~~ - **as** ~~contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak evolved rapidly and continues to evolve. Additionally, the emergence of new variants of COVID- 19 are unpredictable and current vaccines and treatments may not be effective against new variants. As~~ a result **of such a crisis** ~~, the COVID- 19 pandemic negatively impacted, and the COVID- 19 pandemic or other pandemics or infectious diseases in the future~~ could **ultimately decrease occupancy levels and pricing across our portfolio and / or increase concessions, reduce or defer our residents' spending, result in changes in resident preferences (including changes resulting from increased employer flexibility to work from home) or** negatively impact ~~, almost every industry directly or~~ **our residents'** ~~indirectly, which may adversely impact our performance or the~~ ability ~~of underlying real estate collateral relating~~ to **pay** ~~our investments, increase the default risk applicable to borrowers and making it relatively more difficult for us to generate attractive risk adjusted returns. The COVID- 19 pandemic, and other~~ - **their rent** ~~future pandemics, could also materially and adversely impact or disrupt our financial condition, results of operations, cash flows and performance due to, among other factors: • reduced economic activity may cause certain borrowers underlying our real estate related assets and senior loans to become delinquent or default~~ on ~~their loans, or seek to defer payment on, or refinance, their loans; • reduced economic activity could result in a prolonged recession, which could negatively impact the value of commercial and residential real estate, which further negatively impacts the value of our investments, potentially materially; • difficulty accessing debt and equity capital on attractive terms, or at all, impacts to our credit ratings, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities on a timely~~ -- **time** ~~basis,~~ or at all; • **local and national authorities expanding** ~~the financial impact of the COVID- 19 or a future pandemic could negatively impact our~~ - **or** ~~future compliance with financial covenants in~~ **extending certain measures that impose restrictions on** our ~~debt~~ **ability to enforce residents' contractual rental** obligations ~~and result in a default and potentially~~ **(such as eviction moratoriums or rental forgiveness)** ~~an~~ **and** ~~acceleration of indebtedness~~ **limit our ability to raise rents or charge certain fees** ; • ~~uncertainties created by~~ the ~~COVID~~ **risk of a prolonged outbreak and / or multiple waves of an outbreak could cause long** - ~~19~~ **term damage to economic conditions, which in turn could diminish** ~~or~~ **our access to capital at attractive terms and / or cause material declines in the fair value of our assets, leading to asset impairment charges; and • the potential inability to maintain adequate staffing at our properties and corporate offices due to an outbreak and / or changes in employee preferences causing them to leave their jobs. To the extent** a ~~future~~ pandemic **, epidemic** ~~could make it difficult to estimate provisions for~~ - **or other health crisis adversely affects our** ~~loan losses; • a general decline in~~ business ~~activity and demand for mortgage financing~~ , ~~servicing and other real estate and real estate related transactions, which could adversely affect our ability to make new investments or to redeploy the proceeds from repayments of our existing investments; • the potential negative impact on the health of the employees of our Manager, particularly if a significant number of them are impacted, could result~~ **results** ~~in a deterioration in our ability to ensure business continuity during this disruption; and • the timing~~ of **operations** ~~the development and distribution of effective treatments for COVID- 19 and future pandemics. We are closely monitoring the impact of the COVID- 19 pandemic on all aspects of our business. The extent to which COVID- 19 continues to impact our business will depend on future developments~~ , **cash flows** ~~which are highly uncertain~~ and ~~cannot be predicted. The fluidity of this situation precludes any prediction as to the full adverse impact of the COVID- 19 pandemic. Nevertheless, the COVID- 19 pandemic presents material uncertainty and risk with respect to our~~ financial condition, **it may also continue to heighten** ~~results of operations, cash flows and performance. Moreover,~~ many **of the other** ~~risk~~ **risks described elsewhere** ~~factors set forth~~ in this **Item 1A, Risk Factors** ~~annual report should be interpreted as heightened risks as a result of the impact of the COVID- 19 pandemic~~ .