YS ALTNOTES I LLC SERIES NOTE SUPPLEMENT
BORROWER PAYMENT DEPENDENT NOTES SERIES NO. YS USC REL III LLC

TRANSACTION

Overview: YS USC REL III LLC ("YS SPV") provided $1.665M in senior note-on-note financing (the "Investment" or "YS Loan") to a subsidiary ("Originator Lender") of Urban Standard Capital ("Originator") secured by a first priority interest in a $1.85M loan (the "Underlying Loan") made by the Originator Lender. The Underlying Loan is secured by a four story multi-family building (the "Property") in Brooklyn. YS SPV was established for this investment and is a fund managed by YieldStreet Management, LLC, an SEC-registered investment advisor ("Manager"). The Manager has advised YS SPV to close on the Investment which represents YS SPV's sole asset. YieldStreet investors have an opportunity to purchase borrower payment dependent notes ("Notes") issued by the YS SPV's parent and thus indirectly participate economically in the Investment.

The borrower of the Underlying Loan ("Underlying Borrower") used the proceeds from the Underlying Loan, along with $775k in cash equity ("Sponsor Equity") provided by the sponsor ("Sponsor"), to purchase the Property and pay closing costs. YS SPV provided the Originator Lender with $1.665M (90% advance rate) in senior note-on-note financing. The remaining $185k of the Underlying Loan ("Subordinated Portion") is retained by the Originator in its credit fund ("Originator Fund"). The Sponsor is obligated to contribute an additional $300k in equity for improvement costs (total $400k capex budget) to renovate the Property and reconfigure certain units (the "Project"). Specifically, the Sponsor is obligated to contribute $150k 60 days post-closing (10/04/20) and the remaining $150k 90 days post-closing (11/03/20). The total project cost is $2.9M, equating to YS loan-to-cost (LTC) of 58.2%. The sources and uses for the Project are shown below:

Sources	$	%		Uses	$	%
Equity	$1,011,410	35.3%		Purchase Price	$2,350,000	82.1%
First Mortgage	$1,850,000	64.7%		Capex Budget	$400,000	14.0%
YS Senior Investment	*$1,665,000*	58.2%		Origination Fee	$18,500	0.6%
USC Portion	*$185,000*	6.5%		Closing Costs & Expenses	$92,910	3.2%
Total	**$2,861,410**	**100.0%**		**Total**	**$2,861,410**	**100.0%**

**Italicized items show the dollar allocation of the Underlying Loan*

The Property is located in the Park Slope neighborhood of Brooklyn. As is, the Property consists of three 1-bedroom units (one of which is a duplex) across four stories plus a backyard. The Property was delivered vacant and the Appraisal found the Property to be in poor condition. The Sponsor's business plan is to perform a gut renovation of the building – renovating the common spaces, splitting the duplex into two units and reconfiguring the units to 3-bedroom apartments. Upon completion, the building is expected to consist of four 3-bedroom units. The Sponsor expects residential improvements to be complete in 6-8 weeks, and for lease-up to occur within 90 days of unit availability. Upon stabilization, the appraisal projects the Property to generate net operating income of $163k, which implies a debt yield of 8.8% on the Loan and 9.8% on the Investment. The Property is not expected to generate income during the construction phase. The Sponsor and/or the principal thereof ("Principal") are expected to service the debt obligations shortfall out of pocket prior to stabilization.

The Sponsor is a vertically integrated owner and operator of residential and commercial real estate in the New York City and Brooklyn area. It focuses on the repositioning of multi-family and mix-use assets, which is what the subject investment represents. The Sponsor is currently invested in and operates 19 properties (14 mixed-use and 5 multi-family) in the greater NYC area. The Principal has provided a $200k personal guarantee for obligations under the Underlying Loan and a bad actor carve-out guarantee. As of 7/31/20, the Principal had an estimated net worth of $5.4M, with cash of $850k.

The Sponsor was the sponsor of a project underlying the previous Yieldstreet offering Brooklyn Multi-Family Portfolio. The underlying loans thereof were also originated by a subsidiary of the Originator (though a different subsidiary than the Originator Lender), which is the counterparty to the affiliated Yieldstreet special purpose vehicle's (YS USC REL I LLC) loan.

Distribution: This Series Note Supplement describes the underlying transaction as well as this series of Notes offered for sale by YS ALTNOTES I LLC ("Issuer") and the corresponding YS Loan with respect to such Notes. The use of

Notes helps YieldStreet to structure debt transactions more efficiently by allowing for a greater number of investors in a given transaction and lower minimum investment amounts. For more information please refer to the comprehensive Private Placement Memorandum available for download at the time of investment. The Notes issued by the Issuer in which investors are investing will have the following terms as set forth in the Form of Note attached to the Indenture:

- Corresponding Asset (upon which the Notes are dependent for payment): The YS Loan
- Maximum Aggregate Principal Amount of this Series of Notes: $1,665,000
- Stated Maturity Date: 02/05/22
- Target Interest Rate: 7.0%/7.25%

Each Note will bear interest from the date of issuance. All Notes issued under this series will be pari passu regardless of when an investor purchases their Note. All Notes will be dependent on payment under the Loan and the Stated Maturity was established to ensure the Notes encompassed the entire term of the underlying transaction.

Structure: The Investment is a $1.665M senior secured loan made by YS SPV to the Originator Lender. The YS Loan is secured by an underlying mortgage loan, which in turn is secured by an individual property. The Investment represents a 90.0% advance rate on the Underlying Loan, and effectively acts as senior leverage for the remaining $185k in financing retained in the Originator Fund. It is important to note that the counterparty to YS SPV (i.e., the borrower of the YS Loan) is the Originator Lender, and not the Sponsor/Underlying Borrower. Debt service obligations under the Investment are borne by the Originator Lender. If there is no event of default or no collateral event (sale or refinance of a property), then the Originator Lender can retain any and all proceeds from the Underlying Loans, so long as it still services its obligations under the YS Loan.

In the event of a default by the Underlying Borrower, the Originator Lender may continue to make monthly debt service payments on the YS Loan for 150 days if not a maturity default and 60 days if a maturity default. If the Originator Lender fails to service its obligations under the YS Loan or if the Underlying Borrower default exceeds the 150 or 60 days limit, an event of default under the YS Loan would be triggered. Thereafter, YS SPV shall be entitled to have all of Originator Lender's rights, title, interest and claim in and to the Underlying Loan assigned and transferred to YS SPV. In such a situation, YS SPV would have direct privity with the Underlying Borrower, and have the power to enact any and all rights and remedies of a secured mortgage lender (subject to the mortgage documents), including loan modification and initiating foreclosure.

The YS Loan has a 12-month term with one option to extend for 6 months (total extended term of 18 months) and is co-terminus with the Underlying Loan. The option to extend the Underlying Loan is subject to the satisfaction of certain conditions including there being no ongoing event of default and the Sponsor funding a reserve for interest, real estate taxes and insurance premiums due through the extended maturity date. YieldStreet investors are scheduled to receive monthly interest payments at an annualized rate of 7.0% during the Investment's initial term and 7.25% during the extended term. YS Loan has a gross interest rate of 8.0% during the initial term and 8.25% during the extended term. YieldStreet Management, LLC will receive a management fee of 1.0%. Principal is expected to be repaid at maturity, upon refinancing or sale of the Property.

The Underlying Loan is the primary security for the YS Loan. While YS SPV has no privity with the Underlying Borrower (prior to an assignment of Originator Lender's rights, as described in the preceding paragraphs), the YS Loan has been structured with two layers of recourse:

- The Originator Fund has provided a bad actor carve-out guaranty to YS SPV:
    - In the event of any fraud, misrepresentation, willful misconduct, gross negligence and/or other situations in which the Originator Lender, or an affiliate thereof, could willfully harm the Underlying Loans, YS SPV would have recourse to the Originator Fund for any actual losses incurred.
    - In the event the Originator Lender, or an affiliate thereof, acts in bad faith, in violation of the loan documents with regards to certain actions including attempting to conceal a Underlying Loan default, failure to make mandatory repayment(s) or further encumbers the Underlying Loans, YS SPV would have recourse to the Originator Fund for the full amount of the obligations under the YS Loan.

- The Principal has provided a personal guarantee for obligations under the Underlying Loan to the amount of $200k. The Principal has further provided a bad actor carve-out to the Originator Lender. In the event of any fraud, misrepresentation, willful misconduct, gross negligence and/or other situations in which the Sponsor could willfully harm the Underlying Loans, the Originator Lender would have recourse to the Principal.

Composition: The YS Loan is secured by the Underlying Loan, which in turn is secured by a first mortgage on the Property. The Property is a three story multi-family building located in the Park Slope neighborhood of Brooklyn, NY. According to the BBG, an appraisal firm, Park Slope is part of the Prospect Park submarket, which has become a popular residential area amongst families and young professionals in part due to accessibility to Manhattan and a lively offering of restaurants, entertainment and green space. Multi-family vacancies neared record low at 1.86% in 2Q20, and 2019 rent growth topped 2% for the second consecutive year. Developer interest in the area has been strong, with units under construction representing 5% of existing inventory. BBG notes that the live/work/play dynamic of the submarket may be affected by the coronavirus pandemic, and that key market indicators may deteriorate in the short term given the uncertainty surrounding the pandemic.

As is, the Property consists of three 1-bedroom units, of which one unit is a duplex. Upon completion, the Property is expected to consist of four 3-bedroom units of approximately 800 SF each. All units are eligible for fair market rent. Upon acquisition of the Property, the Sponsor filed for the necessary construction permits. As of 08/25/20, it has received the required permit for the duplex split (Alt 1) and the associated demolition and construction work has begun. It has resubmitted the permit for the unit reconfigurations (Alt 1) and expected to receive the permits prior to completion of the duplex split. The Sponsor expects the total construction work to be completed in 6-8 weeks, and for lease-up to occur within 90 days of unit availability.

The Sponsor engaged a general contracting firm (“General Contractor”) to oversee and manage the construction project. The General Contractor was formed by 2014 by two principals with over 30 years combined experience in the NYC real estate market. According to the General Contractor’s website, past projects include 12 commercial and 23 multi-family/residential projects of comparable scope to the subject project. The General Contractor provided a bid for the renovation of the 4 units at $340k. The Sponsor estimated the improvement works for the common areas to be $7.5k. The Originator believes the total capex budget of $400k provides an adequate buffer in the event of additional work needed and/or cost overruns.

The Originator engaged BBG Inc. (“Appraiser”), a property valuation company, to conduct a third-party appraisal (“Appraisal”) of the Property as of 07/16/20. The Appraisal valued the Property on an “as-is” basis at $2.6M ($851k per unit) and on an “as-stabilized” basis at $3.1M ($775k per unit). Based on the Appraisal’s conclusions, the Investment has an “as-is” LTV of 65.2% and an “as-stabilized” LTV of 53.7%. The Property’s purchase price was $2.35M ($588 per unit), equating to YS loan-to-purchase price of 70.9%. In its valuation, the Appraisal assumed a 4% vacancy rate, operating expense ratio of 17.8% and capitalization rate of 5.25%. A detailed breakdown of the Appraisal’s valuation calculations is included in the Appendix as Exhibit A.

A summary of valuation metrics is shown in the table below.

	$	**$ / Unit**	**Metric**	Metric %
Total Project Cost	$2,861,410	$715,352	LTC	58.2%
Purchase Price	$2,350,000	$587,500	LTP	70.9%
Appraisal Valuation				
"As-Is"	$2,554,404	$638,601	LTV	65.2%
"As-Stabilized"	$3,100,952	$775,238	LTV	53.7%
YS Loan (Cost Basis)	$1,665,000	$416,250		

The table below shows the Appraisal’s projected rents for each unit upon completion. The rental and sales comparisons utilized by the Appraisal are included in the Appendix as Exhibit B.

Unit	Est. SF	BR	BA	Outdoor Space		Monthly Rent	Annual Rent PSF	Rent/Bed
Ground	800	3	2	Yard		$4,500	$67.50	$1,500
1st	800	3	2	-		$4,200	$63.00	$1,400
2nd	800	3	2	Terrace		$4,500	$67.50	$1,500
3rd	800	3	2	-		$4,000	$60.00	$1,333
Total	**3200**	**12**				**$17,200**	**$ 64.50**	**$1,433**

Sponsor: The Sponsor is a vertically integrated owner and operator of residential and commercial real estate in the New York City and Brooklyn area. It was capitalized by the sale proceeds of a family-owned retail store chain and focuses on the repositioning of multi-family and mix-use assets. The Principal invested in and realized 6 transactions in NYC. Of the 6 realized investments 2 involved mixed-use buildings and 4 involved retail properties. The mixed-use investments realized IRR of 24.2% and MOIC of 2.8x over an investment period of 8 years. The retail investments realized IRR of 48.3%, with MOIC of 8.2% over an investment period of 10 years. The Principal (through the Sponsor) is currently invested in 14 mixed-use and 5 multifamily transactions in NYC.

As of 7/31/20, the Principal had an estimated net worth of $5.4M, with cash of $850k.

Originator: Urban Standard Capital is a NYC-based real estate investment company with three lines of business:

- Ground-up development - Focuses on developing for-sale condominiums from underutilized properties
- Renovation - Opportunistic, value-add projects
- Short-term financing – $1-50M Senior, Mezzanine and Preferred Equity financing across property type

The Originator leverages its knowledge across its three verticals to make its lending decisions. It has successfully raised and deployed over $100M across three funds for value-add real estate, ground-up condo development and opportunistic debt investments in the greater NYC region. Its existing portfolio of properties, developments and investments provides on-the-ground information on pricing movements and trends. Since 2016, it has originated 47 loans, totaling over $176M, secured by properties in the NYC area. 18 loans, totaling over $25M, of the originated loans have been repaid. Of the repaid loans, only one loan was in technical default but was repaid in full 3 days after maturity. There have been no losses to date.

Additionally, PAD Management, a property manager affiliated with the Originator, oversees 28 properties with 200 units of New York City residential and commercial space. The property manager provides real-time market intelligence as well as underwriting and due diligence support for the Originator's investing activities, which particularly facilitates the Originator's cash flow modelling. Furthermore, the Originator is able to manage its assets in the event it has to take possession of a property.

APPENDIX

Exhibit A – Appraisal Rental and Sales Comparisons

The rental comparison and sales comparison universes selected by the Appraiser are shown in the tables below:

<u>Multi-Family Rental Comparisons</u>

	Location	Bedrooms	Bathrooms	Monthly Rent	Rent / Bed
1	Park Slope	3	2	$4,000	$800
2	Park Slope	3	2	$4,400	$880
3	Park Slope	3	2	$4,500	$900
4	Park Slope	3	2	$4,350	$870
5	Park Slope	3	2	$4,300	$860
6	Park Slope	3	2	$4,500	$900
Min:				**$4,000**	**$800**
Average:				**$4,342**	**$868**
Max:				**$4,500**	**$900**

Appraisal	**Park Slope**	**3**	**2**	**$4,300**	**$1,433**

Multi-Family Sales Comparisons

Comp	Units	Sales Date	Price	$ / Unit	Cap Rate
1	5	1/31/2020	$3,300,000	$660,000	5.00%
2	4	10/17/2019	$3,000,000	$750,000	4.48%
3	4	5/9/2019	$2,850,000	$712,500	4.00%
4	4	11/5/2019	$2,135,000	$533,750	5.20%
5	5	2/14/2020	$2,200,000	$440,000	5.59%
6	8	10/28/2019	$5,150,000	$643,750	5.35%
7	4	12/21/2018	$4,750,000	$1,187,500	4.60%
Min	**4**	**12/21/2018**	**$2,135,000**	**$440,000**	**4.00%**
Average	**5**	**9/17/2019**	**$3,340,714**	**$703,929**	**4.89%**
Max	**8**	**2/14/2020**	**$5,150,000**	**$1,187,500**	**5.59%**
Appraisal	**4**		**$3,100,952**	**$775,238**	**5.25%**

Exhibit B – Appraisal Valuation Detail

	$	%
Income		
Residential Income	$206,400	
Memo: Rent / Unit / Month	*$4,300*	
Vacancy		
Residential Vacancy	($8,256)	4.0%
Total Vacancy	($8,256)	
Effective Gross Income (EGI)	**$198,144**	
Expenses		
Real Estate Taxes	($14,400)	7.3%
Fuel	–	–
Water & Sewer	($2,600)	1.3%
Insurance	($3,000)	1.5%
Repairs & Maintenance	($3,000)	1.5%
Electric	($1,000)	0.5%
Super Salary/ Payroll	($3,800)	1.9%
Management Fee	($5,944)	3.0%
Reserves	($1,000)	0.5%
Misc	($600)	0.3%
Total Expenses	**($35,344)**	**17.8%**
NOI	**$162,800**	
Cap Rate	5.25%	
"As-Stabilized" Value	**$3,100,952**	
Per Unit (4)	*$775,238*	
Per SF	*$969*	
Less Vacancy Rent Loss / Leasing Commissions	($113,520)	45.9%
Less Profit Factor (3.0% "As-Stabilized" Value)	($93,029)	3.0%
Less Remaining Cost to Complete	($340,000)	

Total Adjustment	($546,549)	
"As-Is" Value	**$2,554,404**	
Per Unit (4)	*$638,601*	
Per SF	*$798*	
"As-Stabilized" LTV	**53.7%**	
"As-Is" LTV	**65.2%**	
Yield on Cost	5.6%	
Debt Yield (Total Debt)	8.8%	
Debt Yield (YS Leverage)	9.8%	

Exhibit C - Certain Flat Expenses Allocated to Investors

In accordance with the Indenture (defined below), investors will be allocated a flat amount for the first calendar year and a different flat amount for each subsequent calendar year, intended to cover, inter alia, the following annual and/or one-time expenses: (A) mandated expenses required by the SEC such as Form D filings, (B) State blue sky filings, (C) out-of-pocket legal fees and expenses, if any, incurred to structure and document any SPV loan or participation, (D) SPV annual Delaware franchise and registered agent fees, (E) the Trustee's annual fees and other fees associated therewith and (F) annual audit fees and costs associated with preparation of the Issuer's and SPV's annual tax returns.

The flat expense allocations per investor ("Flat Expenses") will be $100 per participating investor in the first year of each offering, and $30 per participating investor in subsequent years if the offering is active for more than one calendar year.

The Flat Expenses will reduce the interest payments made to investors on their Notes.

Exhibit D – Statement of Confidentiality

This Confidential Series Note Supplement (this "Series Note Supplement") was prepared by YS ALTNOTES I LLC (the "Issuer") solely for informational purposes, from materials and information supplied by the Sponsors. This Series Note Supplement is furnished through the Platform operated by YieldStreet Inc. (the "Platform Operator") solely for use by prospective investors considering purchasing borrower payment dependent notes (the "Notes") in the Issuer. Except as may be required by applicable law, this Series Note Supplement may not be used by you for any other purpose, nor may it be reproduced or distributed, nor may its contents be disclosed, to persons who are not directly involved with your evaluation of your investment, without our prior written consent. Your acceptance and review of this Series Note Supplement shall constitute your acceptance and acknowledgement to the foregoing, and your agreement to ensure that any person with whom you share any portion of this Series Notes Supplement does not do, or omit to do anything which, if done or omitted to be done by you, would constitute a breach of your obligations hereunder.

The information contained herein was prepared to assist interested parties in making their own evaluation of purchasing Notes issued by the Issuer and does not purport to be all-inclusive or to contain all of the information that may be required to evaluate a purchase of the Notes. In all cases, interested parties should conduct their own investigation and analysis of the Issuer and the data set forth in this Series Note Supplement and supplementary documents available on the YieldStreet Platform, including the Private Placement Memorandum dated February 10, 2020 and the Amended and Restated Borrower Payment Dependent Notes Indenture dated February 10, 2020 between the Issuer and Delaware Trust Company, as Trustee. The Platform Operator, the Issuer, and YieldStreet Management, LLC as manager ("Manager") of the Issuer, expressly disclaim any and all liability for any representations (whether expressed or implied) contained in, or any omissions from, this Series Note Supplement or any other written or oral communication transmitted to prospective investors in the course of such prospective investor's evaluation of its purchase of Notes issued by the Issuer.

Exhibit E - Risk Factors

When analyzing this offering to invest in the Notes, prospective investors should carefully consider each of the following risks.

RISK FACTORS ASSOCIATED WITH REAL ESTATE GENERALLY AND THIS INVESTMENT

General risks of real estate investing

The lender has made a loan to a borrower ("Property-Level Lender") which in turn has used the proceeds of such loan to make a loan to a borrower involved with a real estate project (such loan, the "Property-Level Loan" and such borrower, the "Property-Level Borrower"). An investment in the Notes is therefore primarily dependent on the ability of the Property-Level Lender to repay principal and interest on the Loan made by the lender to the Property-Level Lender, which is in turn dependent on the ability of the Property-Level Borrower to repay principal and interest on the Property-Level Loan. As such, the Notes will be subject to the general risks inherent in the ownership of real property.

Changes in value and cash flows of the underlying property

The value of real property and its ability to generate cash flow is subject to volatility and may be adversely affected by many factors, including, without limitation: changes in national, regional or local economic conditions; changes in the supply and demand factors for the real property; rising interest rates; changing environmental regulations; unknown or unanticipated environmental related liabilities; costs associated with the need to periodically repair, renovate and re-lease space; withdrawal of tenants and difficulty of replacing tenants; bankruptcies, financial difficulties or lease defaults by tenants; adverse use of adjacent neighboring real estate; changes in the demand for or supply of competing property; uninsured losses; inability of the borrower to obtain any required permits or entitlements for a reasonable cost or on reasonable conditions or within a reasonable time frame or at all; inability of the Property-Level Borrower to obtain the services of appropriate consultants at a reasonable cost; changes in legal requirements for any needed permits or entitlements; the willingness and ability of the property's owner to provide capable management and adequate maintenance; changes or continued weakness in specific industry segments, convenience, services and attractiveness of the property; changes in government rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws; retroactive changes to building or similar codes; increases in construction costs; lack of adequate availability of liability insurance or all-risk or other types of required insurance at a commercially reasonable price; shortages in available energy; acts of God or other calamities; and other factors beyond the control of the Company or the Manager.

The Property-Level Loan, which is secured by the real property, will be additionally subject to the risks and other factors generally incident to the ownership of real property, including such things as the effects of inflation or deflation; inability to control future operating costs; vandalism; uncertainty of cash flow; the availability and costs of borrowed funds; exposure to non-recourse carve-out guaranty obligations; the ultimate valuation of real estate serving as collateral, whether determined at foreclosure or otherwise; competition from other property; residential patterns and uses; the general suitability of a property to its market area; and other factors beyond the control of the Company or the Manager.

Adverse changes in the factors above could affect the Property-Level Borrower's ability to make payments on the Property-Level Loan, thereby affecting the borrower's ability to make payments on the Loan. Certain expenditures associated with real estate investments, principally mortgage payments, real estate taxes and some maintenance costs, generally remain constant despite a decrease in income derived from such investments. Thus, the cost of operating a given property may exceed the income earned therefrom. The ability of the Property-Level Borrower to pay on its underlying Property-Level Loan in a timely manner will depend on factors such as these. The Company's obligation to make payments on the Notes is solely dependent on the ability of a borrower to pay on its loan, and therefore the inability of the Property-Level Borrower to make payments either timely or at all, will have a material adverse effect on the ability of the borrower to make payments either timely or at all, which will have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes.

Furthermore, a decline in the property value or loss of liquidity in the capital markets could negatively impact the Property-Level Borrower's ability to refinance the Property-Level Loan or sell the property. It is common for loans secured by real estate loans to be repaid through a refinance by another lender. A decrease in the value of the property would negatively impact the Property-Level Borrower's ability to obtain the refinancing of the Property-Level Loan, which could have a material adverse effect on the Company's ability to repay the principal of the Notes. Furthermore, if the sale of the property is required to repay the Property-Level Loan, a decrease in the property value to the extent that the underlying Property-Level Loan exceeds the property value would result in the sale of the property failing to generate sufficient proceeds to repay the Property-Level Loan, which would have a material adverse effect on the Company's ability to repay the principal of the Notes.

The success of each real estate project investment is dependent on the performance of the Property-Level Borrower and other third parties over which the Company has no control

With respect to a particular property, either the Property-Level Borrower (or a third party real estate management company affiliated with or engaged by Property-Level Borrower) is responsible for various management functions that are essential to the success of a real estate project, including property marketing and leasing rates, payment of bills, maintenance of insurance, and property management generally. Poor management on the part of the real estate company could adversely affect the financial performance of the corresponding project investment or expose it to unanticipated operating risk, which could reduce the property's cash flow and adversely affect the Property-Level Borrower's ability to repay the Property-Level Loan, which could have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes.

This risk also pertains to construction of, or renovations to, the real estate. Real estate construction brings with it the risk of cost overrun and time delays. Construction projects are also contingent on correct zoning, various approvals, and regulation. These situations may require additional capital or delay the completion of the project and impair the Property-Level Borrower's ability to repay the Property-Level Loan, which could have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes.

Insurance against risks faced by a property could become costlier or unavailable altogether, and there is no requirement for the Property-Level Borrower to self-insure the property

Real estate properties are typically insured against risk of fire damage and other typically insured property casualties, but are sometimes not covered by severe weather or natural disaster events such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the Property-Level Borrower's ability to continue insuring the property at a reasonable cost or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the Property-Level Borrower's insurance policy could result in the corresponding real estate becoming significantly under secured, and a Noteholder could sustain a significant reduction, or complete elimination of, the return and repayment of principal from the Note.

Title insurance may not cover all title defects

The Property-Level Lender will acquire title insurance on the property to protect its interest in the mortgage lien, but it is possible that uninsured title defects could arise in the future, which the Property-Level Lender may have to defend or otherwise resolve, the cost of which may impact the profitability of the property.

The property valuation models used by the Manager in determining whether the SPV should make or participate in an underlying Loan may be deficient and may increase risk of default

Real estate valuation is an inherently inexact process and depends on numerous factors, all of which are subject to change. Appraisals or opinions of value may prove to be insufficiently supported, and the Manager's review of the value of the underlying property in determining whether the applicable SPV should make or participate in an underlying Loan and the value of the underlying security may be based on information that is incorrect or opinions that are overly optimistic. The risk of default in such situations is increased, and the risk of loss to Noteholders will be commensurately greater.

Liability for environmental issues

Under various federal, state and local environmental and public health laws, regulations and ordinances, the Property-Level Borrower (or a lender after foreclosure on the property) may be required, regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases (including in some cases natural substances such as methane or radon gas) and may be held liable under these laws or common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the real or suspected presence of these substances in soil or groundwater beneath a property. These damages and costs may be substantial and may exceed insurance coverage the Property-Level Borrower (or lender) has for such events. The Manager will attempt to limit exposure to such conditions by conducting due diligence on the property or properties prior to advising the SPV to make the loan or participate therein, however, all or some of these conditions may not be discovered or occur until after the loan or participation has been funded.

Security of certain underlying loans does not remove the risks associated with foreclosure

Senior loans and certain mezzanine loans will be secured by a first lien security interest such as a mortgage, deed of trust or security deed on the underlying real estate, and a loan to the Property-Level Lender may be secured by an assignment of such mortgage, deed of trust or security deed. Different property types involve different types of risk in terms of realizing on the collateral in the event that the borrower (be it the Property-Level Lender on the loan from the Company or the Property-Level Borrower on the loan from the Property-Level Lender) defaults. These risks include completion costs in the case of an incomplete project, partial resale for condominiums and tracts and lease-up (finding tenants) for multi-family residential, small commercial and industrial properties.

The lender may not be able to sell a foreclosed commercial property, for example, before expending efforts to find tenants to make the property more fully leased and more attractive to potential buyers. Moreover, foreclosure statutes vary widely from state to state. Properties underlying defaulted loans will need to be foreclosed upon in compliance with the laws of the state where such property is located. Many states require lengthy processing periods or the obtaining of a court decree before a mortgaged property may be sold or otherwise foreclosed upon. Further, statutory rights to redemption and the effects of anti-deficiency and other laws may limit the ability for a lender to timely recover the value of its loan in the event that a borrower defaults on a loan. Any delay in recovery will correspondingly result in a delay in the recovery of principal by the Noteholders. Although the Stated Maturity Date of the Notes may be modified or extended in accordance with the servicing standard set forth in the Indenture, if recovery is delayed until after the Stated Maturity Date on the corresponding Notes, Noteholders will not share in such recovery.

Borrower bankruptcy will prevent the prompt exercise of foreclosure remedies

Where an underlying loan is secured, if the borrower enters bankruptcy, an automatic stay of all proceedings against the borrower's property will be granted. This stay will prevent the lender from foreclosing on the property unless relief from the stay can be obtained. Significant legal fees and costs may be incurred in attempting to obtain relief from a bankruptcy stay and from the bankruptcy court and, even if such relief is granted, it may take several months or more to obtain. In such event, the lender will be unable to promptly exercise its foreclosure remedy and realize any proceeds from a property sale. In addition, bankruptcy courts have broad powers to permit a sale of the real property free of a lender's lien, to compel the lender to accept an amount less than the balance due under the underlying loan and to permit the borrower to repay the loan over a term which may be substantially longer than the original term of the loan. In such event, a bankruptcy court's order would have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes in accordance with their terms.

A tenant's default in performing lease obligations, or the tenant's bankruptcy, could adversely affect cash flow from the property and materially adversely affect Noteholders

In the event that a tenant defaults in performing its lease obligations or there is an early termination of a lease by a bankrupt tenant and the tenant is not promptly replaced, this will have a materially adverse effect on the property's operating cash flow, which could materially adversely affect the Company's ability to make payments of interest and principal on the Notes. In the event such tenant is not promptly replaced, such early termination may also result in unanticipated expenses to re-let the premises, in which case the lender and/or servicer may incur legal costs and other costs that would not likely be recouped and could reduce the amount of interest and/or principal received by the lender and ultimately reduce the amount of interest and/or principal payable to the Noteholders.

A failure by the borrower to observe customary loan document covenants could materially adversely affect the Noteholders

The loan documents will generally contain customary covenants for such a note-on-note transaction, and the loan documents relating to the Property-Level Loan will also generally contain customary covenants for such loans, such as requirements relating to the maintenance of the property securing the debt, restrictions on pledging and creating other liens on the property, restrictions on incurring additional indebtedness and restrictions on transactions with affiliates. A failure by a borrower to make timely payments of principal and interest on loans or to observe these loan covenants could result in the declaration of a default by the lender. The consequences of a declaration of default of the Property-Level Loan include foreclosure of the mortgage, resulting in loss of both the property and the income it produces, the incurrence of substantial legal costs, and the imposition of a deficiency judgment if the foreclosure sale does not result in proceeds sufficient to satisfy the mortgage. In addition, if any loan of the Property-Level Borrower contains cross-default provisions, a default under one loan could result in a default under other loans. A default by the Property-Level Lender under the loan from the lender would also result in the incurrence of substantial legal costs. The occurrence of any of the foregoing events would materially adversely affect the ability of the Company to make payments of interest and principal on the Notes.

The loans on which the Notes are dependent may not impose certain financial restrictions on borrowers during the term of the loan, which may increase the likelihood that a borrower may not make payments on the loan in accordance with their terms

If a loan does not restrict the borrower from incurring additional indebtedness and such borrower incurs additional debt after the funding of the loan, the additional debt may adversely affect the borrower's and its corporate and individual guarantor's creditworthiness generally, and could result in the financial distress, insolvency, or bankruptcy of the borrower, its affiliated companies and principal guarantors. In such event, this occurrence would adversely affect the borrower's ability to make payments on the loans and the Noteholder's ability to receive the principal and interest payments on the Notes that are dependent on those underlying loans. To the extent that the borrower has or incurs other indebtedness and cannot pay all of its indebtedness, the borrower may choose to make payments to other creditors, rather than to the lender on the underlying loan upon which the Notes are dependent for payment.

Obligors may commit fraud or intentionally hide, transfer or dispose of assets and/or otherwise delay, hinder or block lender's efforts to collect, enforce rights and exercise remedies under the loan

In the case of a default under the loan (or the Property-Level Loan), the applicable lender will be entitled to enforce its rights and exercise remedies against the obligors and collateral securing such loan. This process may include seeking payment from a guarantor under a guaranty or foreclosing on an asset subject to such lender's security interest. In the lender's enforcement process – or even prior thereto during the ordinary course of the loan or during the occurrence and continuance of a default – an obligor may commit fraud, hide, transfer or dispose of assets or otherwise seek to delay, hinder or block the lender from being able to exercise its rights and collecting on the loan. Any delay or inability to collect as a result would have a material adverse effect on the ability of the Issuer to make payments of principal and interest on the Notes.

The Property-Level Loan may be amended, or a consent or waiver or similar modification could be granted by the Property-Level Lender, in an impermissible manner despite there being restrictions on doing so in the loan documentation

The lender will not be a party to any of the Property-Level Loan documentation. Although the Property-Level Lender is prohibited from taking certain actions with respect to the Property-Level Loan without the consent of the lender, including amending or waiving the terms of the Property-Level Loan or consenting to the release of any collateral securing the Property Level Loan, the Property-Level Lender may nonetheless do so in violation of the loan agreement. In such case lender may not even be aware of any such actions until such action has negatively affected the lender as a result. If such an action were to be taken with the lender's consent, such action could have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes.

Although the loan is structured with triggers based on the Property-Level Loan, the lender will not be in direct contact with the Property-Level Borrower and will rely on the Property-Level Lender for updates and reporting on the Property-Level Loan

The lender will not be in direct contact with the Property-Level Borrower, and as such will rely on the Property-Level Lender for updates on the property or the Property-Level Loan. The lender has built triggers and protections into its documentation based on the performance of the Property-Level Loan, including whether such loan is in default. If the Property-Level Lender fails to report to the lender as it is required, the lender may not be able to enforce, or may be delayed in enforcing, its rights and remedies as set forth in the loan documents or at law or equity. If the Property-Level Lender fails to adequately report to the lender, this could have a material adverse effect on the ability of the Company to make payments of interest and principal on the Notes.

Noteholders may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, which may have a material effect on global financial markets.

The Noteholders may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; terrorism; and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which the Company, the Manager, any sponsor, originator, third-party partner or the borrower or any guarantor or other obligor operates or participates (or has a material effect on locations in which the any of the foregoing entities operate or participate) the risks of loss can be substantial and this will have a material adverse effect on the yield of the Notes or ability of the Issuer to repay Noteholders.

The Notes may be subject to risks arising from a novel strain of coronavirus (known as COVID-19), which has had a material effect on global financial markets and has caused a disruption of manufacturing supply chains and local and global economies.

In December 2019, COVID-19 surfaced in Wuhan, China, which has resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China and South Korea, among other affected countries. These closures have caused the disruption of manufacturing supply chains and local and global economies, the duration of which remains uncertain. As of June 2020, COVID-19 has spread across the world, which has resulted in additional market disruptions. The extent to which COVID-19 may negatively affect the operations or performance of the Company, the Manager, any Sponsor, Originator, third-party partner or the Borrower or any guarantor or other obligor is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact. These potential impacts, while uncertain, could have a material adverse effect on the yield of the Notes or ability of the Issuer to repay Noteholders.