



RE: Pembrook 3rd Update: Coronavirus/Covid-19 Implications

We are reaching out to you with this third update for our valued investors, customers, counter-parties and friends to discuss our approach, progress and philosophy as it relates to the Coronavirus/Covid-19 challenge. We understand that these circumstances have significant implications for all of you and we believe that providing you with timely and transparent information will help you and your organizations navigate these difficult times.

First and foremost, we hope you and your families, your companies and firms are healthy and are making great progress toward meeting this challenge. We are happy to report that we are all in good health, and we are closely following all federal and state guidelines that have been mandated and recommended. As we have previously advised you, we have fully transitioned our staff and are working remotely. Incoming calls will either be directly forwarded to the party you are trying to reach, or messages will be taken and forwarded by a remote switch board.

Currently, our borrowers' operations have also continued unabated and we have very good lines of communications open with them. Three of our funds' investments recently paid off in full as expected and our lender completed the financing of one of our first mortgage loans as agreed. At the same time, we understand that circumstances can change rapidly in this environment and we have accordingly increased the monitoring of our loans and our borrowers' abilities to continue to meet their obligations.

This health induced shock to the world economy is not something that can be accurately modelled or forecasted. Clearly however, the damage it causes will be closely tied to the length of time the world economy is shut down, which is unfortunately an unknown. Moreover, no one can accurately predict how successful massive monetary and fiscal policy will be as a life line to consumers and business until the economy can be restarted, even as the Fed provides an enormous amount of liquidity to markets. Therefore, there is enormous uncertainty surrounding the depth and length of the challenge ahead.

With this all said, we would like to give you some reasons to feel a level of comfort, since we believe that we are well positioned to handle this down-turn. We launched Pembrook in 2007, just before the "Great Recession", so we have experience and success at navigating difficult markets. From the very beginning we have managed the company and its funds for the long-term and to withstand uncertain times like these. Specifically: i) several years ago as the commercial real estate market became less compelling and the economic cycle stretched on, we chose to focus on lending to a recession resilient asset class, affordable rental housing; ii) all of our funds utilize what we believe is a low level of debt leverage which is match funded as to term and tenor, generally without material adverse change clauses or strict mark-to-market provisions; iii) we have a well-diversified group of counterparties; and iv) the takeout sources for our loans as they mature are the GSE's - Fannie Mae, Freddie Mac and FHA - each of which we foresee will continue to lend as the markets become illiquid. In summary, we believe we have

deployed our capital in a defensive manner, our funds maintain strong balance sheets and our assets remain among the type of commercial real estate loans that are less impacted by severe market dislocations such as those currently occurring. For all of the forgoing reasons we believe we are well positioned to weather this storm and are poised to take advantage of the opportunities dislocation always brings.

Looking forward at the short-term, market dislocations will cause us to take a cautious approach to reviewing new investment opportunities with regard to both credit quality and pricing, but we do expect to find new opportunities among borrowers who may have difficulties accessing some of their traditional sources of financing. We expect to see many attractive opportunities as competition is sidelined as they attempt to repair their balance sheets. Loans currently in underwriting are likely to take longer to close, but we are working closely with borrowers to ensure the process can proceed as well as possible.

Longer-term, we remain confident in our primary focus on multifamily assets, and particularly affordable rental housing. Near term issues of employment and incomes are naturally of concern, but the supply and demand characteristics of the asset class will continue to make such investments compelling and put a floor under the economics and value of our assets.

In short, we have been working proactively to avoid or minimize disruptions to Pembroke's daily business operations, and we will continue to actively monitor the situation associated with the coronavirus/Covid-19 and report to you as new information is available.

We encourage you to reach out to us with any questions you may have and we will provide updates going forward.

Sincerely,

The Pembroke Management Team
212-906-8680
info@pembrookgroup.com