NAME:
PPM NUMBER:

CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM

Up to $125,000,000
in Class F Shares
and
Up to $75 Million
in Class C Shares
pursuant to the
Distribution Reinvestment Plan

Forum Multifamily Real Estate Investment Trust, Inc. (the "Company", "FMREIT", "we", "us" or "our") is a Maryland corporation that intends to elect to be treated as a "real estate investment trust" ("REIT") for U.S. federal income tax purposes commencing with its taxable year ending December 31, 2023. We are offering for sale up to $125,000,000 in Class F shares of our common stock and up to $75,000,000 in Class C shares of our common stock pursuant to our distribution reinvestment plan (the "offering"). The minimum investment from each investor to acquire Class F shares is $25,000. The minimum investment amount does not apply to purchases made under our distribution reinvestment plan.

This Confidential Private Placement Memorandum ("Memorandum") is being circulated to a limited number of accredited investors for the purpose of evaluating an investment in shares of our common stock. This Memorandum contains confidential information and should be used only in evaluating the merits and risks of the investments described in this Memorandum. This Memorandum should not be disclosed to anyone other than your advisers, who must agree not to disclose the information they receive. Please see the section of this Memorandum entitled "Notice to Investors."

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, Class F shares or Class C shares in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The offering will not be registered under the laws of any jurisdiction, including the Securities Act of 1933, as amended (the "Securities Act"), or the laws of any state jurisdiction, and may not be sold or transferred without compliance with applicable securities laws. The shares being offered hereby have not been reviewed, approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC") or by any other federal, state or foreign securities commissions or any other agency of any state jurisdiction, nor has the SEC or any similar commission or agency passed upon the adequacy or accuracy of this Memorandum. Any representation to the contrary is a criminal offense.

The date of this Memorandum is September 18, 2023.

NOTICE TO INVESTORS

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM OF THE COMPANY IS BEING FURNISHED ON A CONFIDENTIAL BASIS SO THAT YOU MAY CONSIDER AN INVESTMENT IN THE COMPANY.

THE SHARES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY U.S. STATE SECURITIES LAWS. IT IS ANTICIPATED THAT THE OFFERING AND SALE OF THE SHARES WILL BE EXEMPT FROM REGISTRATION PURSUANT TO SECTION 4(a)(2) OF THE SECURITIES ACT AND REGULATION D PROMULGATED THEREUNDER ("REGULATION D"). THE OFFERING OF SHARES HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY THE SECURITIES REGULATORY AUTHORITY OF ANY U.S. STATE, AND NEITHER THE SEC NOR ANY SUCH STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM, NOR IS IT INTENDED THAT THE SEC OR ANY SUCH STATE AUTHORITY WILL DO SO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE OFFERING IS BEING MADE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE FEDERAL SECURITIES LAWS PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT AND REGULATION D UNDER THE SECURITIES ACT AND FROM REGISTRATION OR QUALIFICATION UNDER STATE SECURITIES LAWS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SHARES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. THIS MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS IT TO BE CONSTRUED AS, A PROSPECTUS OR ADVERTISEMENT, AND THE OFFERING CONTEMPLATED IN THIS MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS IT TO BE CONSTRUED AS, A PUBLIC OFFERING OF THE SHARES.

EACH PROSPECTIVE INVESTOR MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D. THERE WILL BE NO PUBLIC MARKET FOR THE SHARES. EACH PURCHASER WILL BE REQUIRED TO REPRESENT, AMONG OTHER THINGS, THAT IT IS ACQUIRING THE SHARES PURCHASED BY IT FOR INVESTMENT AND NOT WITH A VIEW TOWARD RESALE OR DISTRIBUTION. THE SHARES MAY NOT BE RESOLD EXCEPT UNDER LIMITED CIRCUMSTANCES IN COMPLIANCE WITH APPLICABLE LAWS AND OTHER RESTRICTIONS DESCRIBED HEREIN. THIS OFFERING IS BEING CONDUCTED ON A "BEST EFFORTS" BASIS, WHICH MEANS THAT THE DEALER MANAGER (AS DEFINED BELOW) WILL USE ITS COMMERCIALLY REASONABLE BEST EFFORTS IN AN ATTEMPT TO SELL THE SHARES.

THIS MEMORANDUM SUPERSEDES ALL INFORMATION AND MATERIALS FURNISHED TO ANY INVESTOR PRIOR TO THE DATE OF THIS MEMORANDUM TO THE EXTENT SUCH PRIOR INFORMATION AND MATERIALS ARE INCONSISTENT IN ANY WAY WITH THE INFORMATION CONTAINED IN THIS MEMORANDUM.

THE INFORMATION IN THIS MEMORANDUM IS ACCURATE ONLY AS OF THE DATE OF THIS MEMORANDUM OR AS OF ANOTHER DATE SPECIFIED HEREIN OR IN THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR GIVE ANY INFORMATION WITH RESPECT TO THE OFFERING OF SHARES EXCEPT THE INFORMATION CONTAINED IN THIS MEMORANDUM, AND ANY REPRESENTATION OR INFORMATION NOT CONTAINED HEREIN

MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, FORESIDE FUND SERVICES, LLC, THE DEALER MANAGER OF THE COMPANY (THE "DEALER MANAGER"), OR ANY OF THEIR RESPECTIVE PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS OR AFFILIATES.

EACH PERSON WHO HAS RECEIVED A COPY OF THIS MEMORANDUM (WHETHER OR NOT SUCH PERSON PURCHASES ANY SHARES) IS DEEMED TO HAVE AGREED (A) NOT TO REPRODUCE OR DISTRIBUTE THIS MEMORANDUM, IN WHOLE OR IN PART, (B) IF SUCH PERSON HAS NOT PURCHASED SHARES, TO RETURN THIS MEMORANDUM TO THE COMPANY UPON REQUEST, (C) NOT TO DISCLOSE ANY INFORMATION CONTAINED IN THIS MEMORANDUM EXCEPT TO THE EXTENT THAT SUCH INFORMATION WAS (1) PREVIOUSLY KNOWN BY SUCH PERSON THROUGH A SOURCE (OTHER THAN THE COMPANY OR ITS AFFILIATES) NOT BOUND BY ANY OBLIGATION TO KEEP SUCH INFORMATION CONFIDENTIAL, (2) IN THE PUBLIC DOMAIN THROUGH NO FAULT OF SUCH PERSON OR (3) LATER LAWFULLY OBTAINED BY SUCH PERSON FROM SOURCES (OTHER THAN THE COMPANY OR ITS AFFILIATES) NOT BOUND BY ANY OBLIGATION TO KEEP SUCH INFORMATION CONFIDENTIAL, AND (D) TO BE RESPONSIBLE FOR ANY DISCLOSURE OF THIS MEMORANDUM, OR THE INFORMATION CONTAINED HEREIN, BY SUCH PERSON OR ANY OF ITS EMPLOYEES, AGENTS OR REPRESENTATIVES.

PROSPECTIVE INVESTORS ARE URGED TO REQUEST ANY ADDITIONAL INFORMATION THEY MAY CONSIDER NECESSARY OR DESIRABLE IN MAKING AN INFORMED INVESTMENT DECISION. EACH PROSPECTIVE PURCHASER IS INVITED, PRIOR TO THE CONSUMMATION OF A SALE OF ANY SHARES TO SUCH PURCHASER, TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THE COMPANY CONCERNING THE COMPANY AND THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE COMPANY POSSESSES THE SAME OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, IN ORDER TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM OR OTHERWISE.

EACH PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN INVESTIGATION OF THE INVESTMENT DESCRIBED HEREIN, INCLUDING THE MERITS, RISKS, LEGALITY AND TAX CONSEQUENCES INVOLVED WITH SUCH AN INVESTMENT. THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS WHO ARE SOPHISTICATED CONCERNING FINANCIAL MATTERS AND FAMILIAR WITH THE RISKS ASSOCIATED WITH INVESTMENTS SIMILAR TO THE ONES DESCRIBED HEREIN. EACH PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN INQUIRIES AND CONSULT ITS OWN ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THE COMPANY, THIS OFFERING AND AN INVESTMENT IN THE INTERESTS. NEITHER THE COMPANY, NOR THE DEALER MANAGER NOR ANY OF THEIR AFFILIATES IS MAKING ANY REPRESENTATION OR WARRANTY TO AN INVESTOR REGARDING THE LEGALITY OF AN INVESTMENT IN THE COMPANY BY SUCH INVESTOR OR ABOUT THE INCOME AND OTHER TAX CONSEQUENCES TO IT OF SUCH AN INVESTMENT.

INVESTORS SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED IN THE "RISK FACTORS" SECTION OF THIS MEMORANDUM.

ANY PROJECTIONS, TARGETS OR OTHER FORECASTS CONTAINED HEREIN OR INCORPORATED BY REFERENCE ARE BASED ON SUBJECTIVE ESTIMATES AND ASSUMPTIONS ABOUT CIRCUMSTANCES AND EVENTS THAT HAVE NOT YET TAKEN PLACE AND MAY NEVER DO SO. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT

ANY PROJECTED, TARGETED OR FORECASTED RESULTS WILL BE ATTAINED. TARGETED OR POTENTIAL PERFORMANCE RESULTS MAY NOT BE ACHIEVED AND THERE CAN BE NO ASSURANCE THAT THE COMPANY OR INVESTORS IN THE COMPANY WILL ACHIEVE FAVORABLE RESULTS. THE FOLLOWING IMPORTANT FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED OR IMPLIED IN ANY FORWARD-LOOKING STATEMENTS: (I) THE COMPANY'S INABILITY TO EXECUTE ITS INVESTMENT STRATEGY; (II) INCREASED COMPETITION OR THE ENTRY OF NEW COMPETITORS FOR INVESTMENT OPPORTUNITIES; AND (III) ADVERSE MARKET CONDITIONS. THE PRECEDING FACTORS SHOULD NOT BE CONSTRUED AS EXHAUSTIVE. DUE TO SUCH UNCERTAINTIES AND RISKS, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON SUCH FORWARD-LOOKING STATEMENTS.

COPIES OF THE COMPANY'S CHARTER, BYLAWS AND OTHER RELEVANT DOCUMENTS WILL BE PROVIDED TO PROSPECTIVE INVESTORS UPON REQUEST. THESE DOCUMENTS CONTAIN IMPORTANT AGREEMENTS AND OTHER TERMS RELATING TO THE COMPANY AND THE OFFERING OF THE SHARES. CERTAIN TERMS OF THE CHARTER, BYLAWS, THE SUBSCRIPTION AGREEMENT AND OTHER RELATED DOCUMENTS ARE DESCRIBED IN SUMMARY HEREIN. THESE DESCRIPTIONS DO NOT PURPORT TO BE COMPLETE AND EACH SUMMARY DESCRIPTION IS SUBJECT TO, AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, THE ACTUAL TEXT OF THE RELEVANT DOCUMENT.

CERTAIN INFORMATION IN THIS MEMORANDUM HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE ALTHOUGH THE COMPANY, THE DEALER MANAGER AND THEIR RESPECTIVE AFFILIATES DO NOT GUARANTEE ITS ACCURACY, COMPLETENESS OR FAIRNESS. OPINIONS AND ESTIMATES MAY BE CHANGED WITHOUT NOTICE.

NOTICE TO RESIDENTS OF ALL STATES

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISK INVOLVED. THE SECURITIES OFFERED BY THIS MEMORANDUM ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE AND CANNOT BE TRANSFERRED OR RESOLD UNLESS THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT, ANY APPLICABLE STATE SECURITIES LAWS AND APPLICABLE SECURITIES LAWS OF OTHER COUNTRIES ("FOREIGN SECURITIES LAWS"), OR SUCH TRANSFER OR RESALE IS MADE PURSUANT TO AN EXEMPTION FROM REGISTRATION AS PERMITTED UNDER THE SECURITIES ACT, APPLICABLE STATE SECURITIES LAWS AND APPLICABLE FOREIGN SECURITIES LAWS, OR IN A TRANSACTION OUTSIDE THE UNITED STATES PURSUANT TO THE RESALE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE SECURITIES OFFERED BY THIS MEMORANDUM FOR AN INDEFINITE PERIOD OF TIME.

INQUIRIES FROM PROSPECTIVE INVESTORS SHOULD BE DIRECTED TO:

FMREIT@forumcapadvisors.com
Tel: 303-501-8888
Toll-Free: 888-479-4008

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SUITABILITY STANDARDS

Who May Invest

We are offering and selling shares of our common stock in reliance on an exemption from the registration requirements of the Securities Act. Accordingly, distribution of this Memorandum is strictly limited to persons who meet the requirements and make the representations set forth below. We reserve the right to declare any prospective investor ineligible to purchase our common stock based on any information that may become known or available to us concerning the suitability of such prospective investor or for any other reason. On a limited basis, you may be able to have your shares redeemed through our share redemption program, although we are not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month in our sole discretion.

Investor Suitability Requirements

Investment in our common shares involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in their investment in the shares. In order to purchase our common stock, you must represent in writing that you meet, among other things, all of the following suitability requirements:

- You have received, read and fully understand this Memorandum and all appendices and attachments to it, and in electing to invest in our common stock, you have relied only on the information contained in this Memorandum and its appendices and attachments and have not relied upon any representations or information made or supplied by any other person.
- You understand that an investment in our common stock is speculative and involves substantial risks, and you are fully cognizant of and understand all of the risks relating to a purchase of our common stock, including, but not limited to, those risks set forth under "Risk Factors."
- Your overall commitment to investments that are not readily marketable is not disproportionate to your individual net worth, and your investment in our common stock will not cause such overall commitment to become excessive.
- You have adequate means of providing for your financial requirements, both current and anticipated, and have no need for liquidity in your investment in our common stock.
- You can bear and are willing to accept the economic risk of losing your entire investment in our common stock.
- You are acquiring our common stock for your own account and for investment purposes only, and you have no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the shares.
- You understand that, due to the lack of any existing market for our common stock, and the probability that no such market will exist in the future, your investment is, and is likely to remain, highly illiquid and may have to be held indefinitely.
- You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of an investment in our common stock and have the ability to protect your own interests in connection with such investment.
- You have had the opportunity (a) to ask questions of, and receive answers from your financial representative and/or us and officers and employees of our Advisor concerning the creation and operation of our company and the terms and conditions of this offering and (b) to obtain

any additional information you deemed necessary. You have been provided with all materials and information requested by either you or others representing you, including any information requested to verify any information furnished to you.

- You meet one of the definitions of "accredited investor" set forth in Rule 501(a) of Regulation D under the Securities Act, as described below. The definition of "Accredited Investor" set forth in Rule 501(a) of the Securities Act includes, among others:
    - a natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, exceeds $1,000,000, exclusive of the value of his or her primary residence;
    - a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
    - a natural person who holds, in good standing, one or more professional certifications or designations or credentials from an accredited educational institution that the SEC has designated as qualifying an individual for accredited investor status and which the SEC has posted as qualifying (For this purpose, the SEC has posted the following qualifying professional certifications: holders in good standing of FINRA Series 7, Series 65 and Series 82 licenses);
    - a natural person who is a "knowledgeable employee," as defined in rule 3c-5(a)(4) under the Investment Company Act of 1940, as amended (the "Investment Company Act"), of the Company where the Company would be an investment company, as defined in section 3 of the Investment Company Act, but for the exclusion provided by either section 3(c)(1) or section (3(c)(7); or is a director, executive officer or general partner of the Company or the general partner of the Company;
    - a corporation, an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), a Massachusetts or similar business trust, a state employee benefit plan, a partnership or a limited liability company, not formed for the specific purpose of acquiring shares of our common stock, with total assets in excess of $5,000,000;
    - a trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring shares of our common stock and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in shares of our common stock;
    - a broker dealer registered pursuant to section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended;
    - an investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") or registered pursuant to the laws of a state;
    - an investment adviser relying on the exemption from registering with the SEC under section 203(l) or (m) of the Investment Advisers Act;
    - an insurance company as defined in section 2(a)(13) of the Securities Act;
    - an investment company registered under the Investment Company Act;

- a business development company (as defined in section 2(a)(48) of the Investment Company Act);
- a Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;
- a Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act;
- any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;
- an employee benefit plan within the meaning of the ERISA (as defined below), if the investment decision is made by a plan fiduciary (as defined in section 3(21) of ERISA), which is either a bank, savings and loan association, insurance company, or registered investment adviser ("RIA"), or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors;
- a private business development company (as defined in section 202(a)(22) of the Investment Advisers Act);
- a bank as defined in section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity;
- an entity in which all of the equity owners are accredited investors;
- an entity of a type not listed above, not formed for the specific purpose of acquiring shares of our common stock, owning investments (as defined in rule 2a51-1(b) under the Investment Company Act) in excess of $5,000,000;
- a "family office" as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act, with assets under management in excess of $5,000,000, that is not formed for the specific purpose of acquiring shares of our common stock, and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of an investment in shares of our common stock; and
- a "family client" as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act, of a family office meeting the requirements in the preceding clause whose investment in shares of our common stock is directed by such family office.

For purposes of determining the "net worth" of natural persons, net worth means the excess of total assets at fair market value over total liabilities, excluding the value of the primary residence owned, as well as the amount of shares of our common stock. Any amount of the liabilities secured by the primary residence in excess of the fair market value of the primary residence at the time of the sale of shares of our common stock must be included as a liability. In the event the indebtedness on the primary residence was increased in the 60 days preceding the sale of shares of our common stock, the amount of the increase must be included as a liability in the net worth calculation.

For purposes of determining the "joint net worth" of natural persons, joint net worth can be the aggregate net worth of the individual and his or her spouse or spousal equivalent; assets need not be held jointly to be included in the calculation, and reliance on the joint net worth standard does not require that the securities be purchased jointly.

For purposes of natural persons, a "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

The suitability standards referred to above represent minimum suitability requirements for prospective purchasers, and the satisfaction of such standards by a prospective purchaser does not necessarily mean that shares of our common stock are a suitable investment for such person. In circumstances the Company deems appropriate, it may modify such requirements.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act") and related acts, the shares offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any "unacceptable investor," which means anyone who is acting, directly or indirectly, (a) in contravention of any U.S. or international laws and regulations, including without limitation any anti-money laundering or anti-terrorist financing sanction, regulation, or law promulgated by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") or any other U.S. governmental entity (such sanctions, regulations and laws, together with any supplement or amendment thereto, are referred to herein as the "U.S. Sanctions Laws"), such that the offer, sale, transfer, or delivery of the shares, directly or indirectly, would contravene such U.S. Sanctions Laws; or (b) on behalf of terrorists or terrorist organizations, including those persons or entities that are included on the List of Specially Designated Nationals and Blocked Persons maintained by OFAC, as such list may be amended from time to time, or any other lists of similar import as to any non-U.S. country, individual, or entity.

HOW TO SUBSCRIBE

You may buy or request that we redeem shares of our common stock through your financial advisor, a participating broker dealer or other financial intermediary that has a selling agreement with our Dealer Manager. Because an investment in our common stock involves many considerations, your financial advisor or other financial intermediary may help you with this decision. Due to the illiquid nature of investments in real estate, our shares of common stock are only suitable as a long-term investment. Because there is no public market for our shares, stockholders may have difficulty selling their shares if we choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month, in our discretion, or if our board of directors modifies or suspends the share redemption program.

Investors who meet the suitability standards described herein may purchase shares of our common stock. See "Suitability Standards" in this Memorandum. Before investing, investors should carefully read this entire Memorandum and any appendices and supplements accompanying this Memorandum. Investors seeking to purchase shares of our common stock must proceed as follows:

- complete the execution copy of the subscription agreement attached hereto as Appendix A. Subscription agreements may be executed manually or by electronic signature except where the use of such electronic signature has not been approved by the Company. Should you execute the subscription agreement electronically, your electronic signature, whether digital or encrypted, included in the subscription agreement is intended to authenticate the subscription agreement and to have the same force and effect as a manual signature.

- deliver a check, submit a wire transfer, instruct your broker dealer to make payment from your brokerage account or otherwise deliver funds for the full offering price of the shares of our common stock being subscribed for along with the completed subscription agreement to the participating broker dealer. Checks should be made payable, or wire transfers directed, to "Forum Multifamily Real Estate Investment Trust, Inc." or "FMREIT." For Class F shares, after you have satisfied the applicable minimum purchase requirement of $25,000, additional purchases must be in increments of $500. The minimum subsequent investment does not apply to purchases made under our distribution reinvestment plan.

- by executing the subscription agreement and paying the total offering price for the shares of our common stock subscribed for, each investor attests that he or she meets the suitability standards as stated in the subscription agreement and agrees to be bound by all of its terms. Certain participating broker dealers may require additional documentation.

Subscriptions to purchase our common stock may be made on an ongoing basis, but investors may only purchase our common stock pursuant to accepted subscription orders as of the first business day of each month (based on the prior month's transaction price), and to be accepted, a subscription request must be made with a completed and executed subscription agreement in good order, including satisfying any additional requirements imposed by the subscriber's broker dealer, and payment of the full offering price of our common stock being subscribed at least five business days prior to the first business day of the month (unless waived by the Company or otherwise agreed to between the Company and the applicable participating broker dealer).

For example, if you submit a subscription for shares of our common stock in October, your subscription request must be received in good order at least five business days before November 1. Generally, the offering price will equal the then-current transaction price, which generally will be equal to the net asset value ("NAV") per share of the applicable class of shares as of the last calendar day of September, plus, if applicable, upfront commissions or other fees payable to broker dealers who have

arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. If accepted, your subscription will be effective on the first business day of November.

Completed subscription requests will not be accepted by us before the later of (i) two business days before the first business day of each month and (ii) three business days after we make the transaction price (including any subsequent revised transaction price in the circumstances described below) available by providing a supplement to this Memorandum (or in certain cases after we have delivered notice of such price directly to subscribers as discussed below). Subscribers are not committed to purchase shares at the time their subscription orders are submitted and any subscription may be canceled at any time before the time it has been accepted as described in the previous sentence. As a result, you will have a minimum of three business days after the transaction price for that month has been disclosed to withdraw your request before you are committed to purchase the shares.

However, if the transaction price is not made available on or before the eighth business day before the first business day of the month (which is six business days before the earliest date we may accept subscriptions), or a previously disclosed transaction price for that month is changed, then we will provide notice of such transaction price (and the first day on which we may accept subscriptions) directly to subscribing investors when such transaction price is made available. In such cases, you will have at least three business days from delivery of such notice before your subscription is accepted.

If for any reason we reject the subscription, or if the subscription request is canceled before it is accepted or withdrawn as described below, we will return the subscription agreement and the related funds, without interest or deduction, within ten business days after such rejection, cancellation or withdrawal.

Shares of our common stock purchased by a fiduciary or custodial account will be registered in the name of the fiduciary account and not in the name of the beneficiary. If you place an order to buy shares and your payment is not received and collected, your purchase may be canceled and you could be liable for any losses or fees we have incurred.

You have the option of placing a transfer on death ("TOD") designation on your shares purchased in this offering. A TOD designation transfers the ownership of the shares to your designated beneficiary upon your death. This designation may only be made by individuals, not entities, who are the sole or joint owners with right to survivorship of the shares. If you would like to place a TOD designation on your shares, you must check the TOD box on the subscription agreement and you must complete and return a TOD form, which you may obtain from your financial advisor, in order to effect the designation.

Offering Price

Shares will generally be sold at the then-current transaction price, which will generally be the NAV per share as of the last day of the prior month of the class of shares being purchased, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. Although the price you pay for shares of our common stock will generally be based on the prior month's NAV per share, the NAV per share of such stock for the month in which you make your purchase may be significantly different. We may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the prior month's NAV per share (including by updating a previously disclosed transaction price) or suspend our offering in cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month. Each class of shares

may have a different NAV per share because certain fees may be charged or allocated differently with respect to each class.

The following table sets forth the transaction price per share for each share class of our common stock for subscriptions to be accepted (and distribution reinvestment plan ("DRP") issuances) as of October 1, 2023 (and share redemptions as of September 30, 2023). The table also sets forth the maximum offering price per share for each share class:

Class	Transaction Price Per Share[(1)]	Maximum Offering Price Per Share[(2)]
Class F Shares	$22.0482	$23.4813
Class C Shares (DRP Only)	$22.0482	$22.0482

(1) This reflects the transaction price as of the date of this Memorandum. The transaction price will generally be equal to the NAV per share as of the last calendar day of the prior month for the applicable class of shares being purchased. The share redemption price per share for each share class equals the transaction price per share of such class less any early redemption deduction (if applicable), as described in the section of this Memorandum captioned, "Description of Capital Stock—Share Redemption Program."

(2) Maximum offering price is the then-current transaction price, plus, if applicable, the maximum upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The amount of such compensation will vary by broker dealer, but will not exceed 6.5% of the transaction price. Any such commissions and fees will be paid by the investor as part of its offering price and will not be paid by us. The offering price for clients of broker dealers may vary depending on the upfront commissions and other fees charged by their broker dealers. The offering price for clients of RIAs is the transaction price per share and will not include any upfront commissions or other fees. Class C shares are only being offered pursuant to our distribution reinvestment plan and are offered at the transaction price per share. No commissions are paid with respect to the issuance of shares pursuant to our distribution reinvestment plan.

The October 1, 2023 transaction price for each of our share classes is equal to such class's NAV per share as of August 31, 2023. See "Net Asset Value Calculation and Valuation Procedures" for more information about the calculation of NAV per share.

If you participate in our distribution reinvestment plan, the cash distributions attributable to the class of shares that you purchase in our primary offering will be automatically invested in additional shares of the same class; provided that cash distributions attributable to Class F shares held by participants in the plan will be automatically reinvested in Class C shares of common stock. However, distributions attributable to the allocation of a portion of the performance participation allocation to holders of Class F shares will not be eligible for the distribution reinvestment plan. Shares are offered pursuant to our distribution reinvestment plan at the transaction price per share for the applicable share class at the time the distribution is payable, which will generally be equal to our prior month's NAV per share for that share class.

We will generally adhere to the following procedures relating to purchases of shares of our common stock in this offering:

- On each business day, our transfer agent will collect purchase orders. Notwithstanding the submission of an initial purchase order, we can reject purchase orders for any reason, even if a

prospective investor meets the minimum suitability requirements outlined in this Memorandum. Investors may only purchase our common stock pursuant to accepted subscription orders as of the first business day of each month (based on the prior month's transaction price), and to be accepted, a subscription request must be made with a completed and executed subscription agreement in good order and payment of the full offering price of our common stock being subscribed at least five business days prior to the first business day of the month. If a purchase order is received less than five business days prior to the first business day of the month, unless waived by the Company, the purchase order will be executed in the next month's closing at the transaction price applicable to that month, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The amount of such compensation will vary by broker dealer but will not exceed 6.5% of the transaction price. The offering price for clients of RIAs is the transaction price per share and will not include any upfront commissions or other fees. As a result of this process, the price per share at which your order is executed may be different than the price per share for the month in which you submitted your purchase order.

- Generally, within 15 calendar days after the last calendar day of each month, we will determine our NAV per share for each share class as of the last calendar day of the prior month, which will generally be the transaction price for the then-current month for such share class.

- Completed subscription requests will not be accepted by us before the later of (i) two business days before the first business day of each month and (ii) three business days after we make the transaction price (including any subsequent revised transaction price in the circumstances described below) available.

- Subscribers are not committed to purchase shares at the time their subscription orders are submitted and any subscription may be canceled at any time before the time it has been accepted as described in the previous sentence. You may withdraw your purchase request by notifying the transfer agent, through your financial intermediary or directly on our toll-free, automated telephone line, 888-479-4008.

- You will receive a confirmation statement of each new transaction in your account as soon as practicable but generally not later than seven business days after the stockholder transactions are settled.

Our transaction price will generally be based on our prior month's NAV. Our NAV may vary significantly from one month to the next. We may set a transaction price that we believe reflects the NAV per share of our stock more appropriately than the prior month's NAV per share (including by updating a previously disclosed offering price) or suspend our offering in cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month. If the transaction price is not made available on or before the eighth business day before the first business day of the month (which is six business days before the earliest date we may accept subscriptions), or a previously disclosed transaction price for that month is changed, then we will provide notice of such transaction price (and the first day on which we may accept subscriptions) directly to subscribing investors when such transaction price is made available.

In contrast to securities traded on an exchange or over-the-counter, where the price often fluctuates as a result of, among other things, the supply and demand of securities in the trading market, our NAV will be calculated once monthly using our valuation methodology, and the price at which we sell new shares

and redeem outstanding shares will not change depending on the level of demand by investors or the volume of redemptions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements in this Memorandum are "forward-looking statements" within the meaning of the U.S. federal securities laws. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future financial condition, results of operations, strategic plans and objectives, rent growth, occupancy, rental expense growth, property acquisitions and dispositions, capital expenditures, capital raising activities, amounts of anticipated cash distributions to our stockholders in the future and other matters. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and variations of these words and other similar expressions are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among other things unfavorable changes in the apartment market, changing economic conditions, the impact of inflation or deflation on rental rates and property operating expenses, expectations concerning the availability of capital and the stability of the capital markets, the impact of competition and competitive pricing, acquisitions not achieving anticipated results, delays in completing lease-ups on schedule or at expected rent and occupancy levels, expectations on job growth, home affordability and demand to supply ratio for multifamily housing and expectations on occupancy levels and rental rates.

Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. You are cautioned not to place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements whether as a result of new information, future developments or otherwise. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate and integrate acquisitions or investments;
- the impact of any financial, accounting, legal or regulatory issues or litigation, including any legal proceedings, regulatory matters or enforcement matters that have been or in the future may be instituted that may affect us;
- the performance of our portfolio;
- changes in national, regional and local economic climates;
- changes in financial markets or to our business or financial condition;
- the availability of financing and capital;
- inflation causing our property operating expenses and general and administrative expenses to exceed our rental income;
- unfavorable changes in the apartment market and economic conditions that could adversely affect occupancy levels and rental rates;
- the failure of acquisitions to achieve anticipate results;
- possible difficulty in selling apartment communities;

- competitive factors that may limit our ability to lease apartment homes or increase or maintain rents;
- insufficient cash flow that could affect our debt financing and create refinancing risk;
- our ability to repay, refinance, restructure and/or extend our indebtedness as it becomes due;
- failure to generate sufficient revenue, which could impair our debt service payments and distributions to stockholders;
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us;
- risks from climate change that impact our properties or operations;
- increased cost of insurance or limited insurance carriers in certain markets;
- risks from extraordinary losses for which we may not have insurance or adequate reserves;
- risks from cybersecurity breaches of our information technology systems and the information technology systems of any third-party vendors and other third parties;
- uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage;
- delays in completing lease-ups on schedule;
- failure to succeed in new markets;
- rising interest rates, which could increase interest costs;
- potential liability for environmental contamination, which could result in substantial costs to us;
- acquiring co-ownership interests in property that are subject to certain co-ownership agreements;
- joint venture investments and the actions of joint venture partners;
- conflicts of interest arising out of our relationships with Forum Investment Group LLC ("Forum" or the "Sponsor"), FMREIT Advisors LLC ("FMREIT Advisors" or the "Advisor") and their affiliates;
- the imposition of federal taxes if we fail to qualify as a REIT under the Code in any taxable year; and
- changes in real estate laws, tax laws, rent control or stabilization laws or other laws affecting our business.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. You should carefully read the section entitled "Risk Factors" in this Memorandum. New risks and uncertainties may also emerge from time to time that could materially and adversely affect us.

MEMORANDUM SUMMARY

This Memorandum summary highlights certain information contained elsewhere in this Memorandum. This is only a summary and it may not contain all of the information that is important to you. Before deciding to invest in this offering, you should carefully read this entire Memorandum, including the "Risk Factors" section.

Q: WHAT IS FORUM MULTIFAMILY REAL ESTATE INVESTMENT TRUST, INC.?

A: We are a perpetual-life NAV REIT that was formed as a Maryland corporation on October 26, 2022. In the third quarter of 2023, we completed a roll-up transaction, which resulted in us owning an initial portfolio of 17 multifamily real estate assets, including a 90.8240% economic interest in one multifamily real estate asset. We intend to elect to be treated as a REIT for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our taxable year ending December 31, 2023.

We invest in a diverse portfolio of multifamily apartment communities and multifamily real estate-related assets located throughout the United States. Our only assets as of August 31, 2023 are our interests in our operating properties. As of August 31, 2023, our portfolio had a gross asset value of $789,030,000 and a NAV of $420,469,948.

We plan to own substantially all of our assets and conduct our operations through FMREIT Operating Partnership LP (the "Operating Partnership"). FMREIT GP LLC ("FMREIT GP" or the "General Partner"), for which we are the sole member, is the general partner of the Operating Partnership. As a result, we control the operations of the Operating Partnership. Except where the context suggests otherwise, the terms "we," "us," "our" and "our company" refer to Forum Multifamily Real Estate Investment Trust, Inc., together with its subsidiaries, including the Operating Partnership and its subsidiaries, and all assets held through such subsidiaries.

Our external advisor, FMREIT Advisors, through its team of real estate professionals, selects our investments and manages our business, subject to the direction and oversight of our board of directors. The Advisor is an indirect, wholly owned subsidiary of Forum.

Q: WHO IS FORUM?

A: Forum is a multifamily-focused asset manager based in Denver, Colorado. An affiliate of the Sponsor, Forum Real Estate Group, LLC ("FREG"), was established in 2007 with a focus on investing in multifamily housing and a mission of identifying unique investment opportunities that generate consistent, reliable income and an attractive risk/return profile. Since 2007, the Sponsor and its affiliates built a successful track record of high-performance investments. As of June 30, 2023, the Sponsor, through its affiliates and related parties, including FMREIT, has invested in over 15,700 multifamily units with a total acquisition/development cost of more than $2.5 billion. These figures represent Forum's current and historical direct multifamily portfolio, including stabilized assets, assets that are under construction, assets in lease up and assets that had been sold as of June 30, 2023, but does not include commercial/land projects. In addition, the Sponsor's team of real estate professionals have substantial expertise in executing transactions across the capital stack — equity, preferred equity, and debt.

Q: WHAT IS A "REIT"?

A: In general, a REIT is a company that:

- Offers the benefits of a diversified real estate portfolio under professional management;
- Is required to make distributions to investors of at least 90% of its taxable income (excluding net capital gains) for each year and meet certain other qualification requirements;
- Prevents the federal "double taxation" treatment of income that generally results from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on the portion of its net income that is distributed to the REIT's stockholders; and
- Combines the capital of many investors to acquire or provide financing for real estate assets.

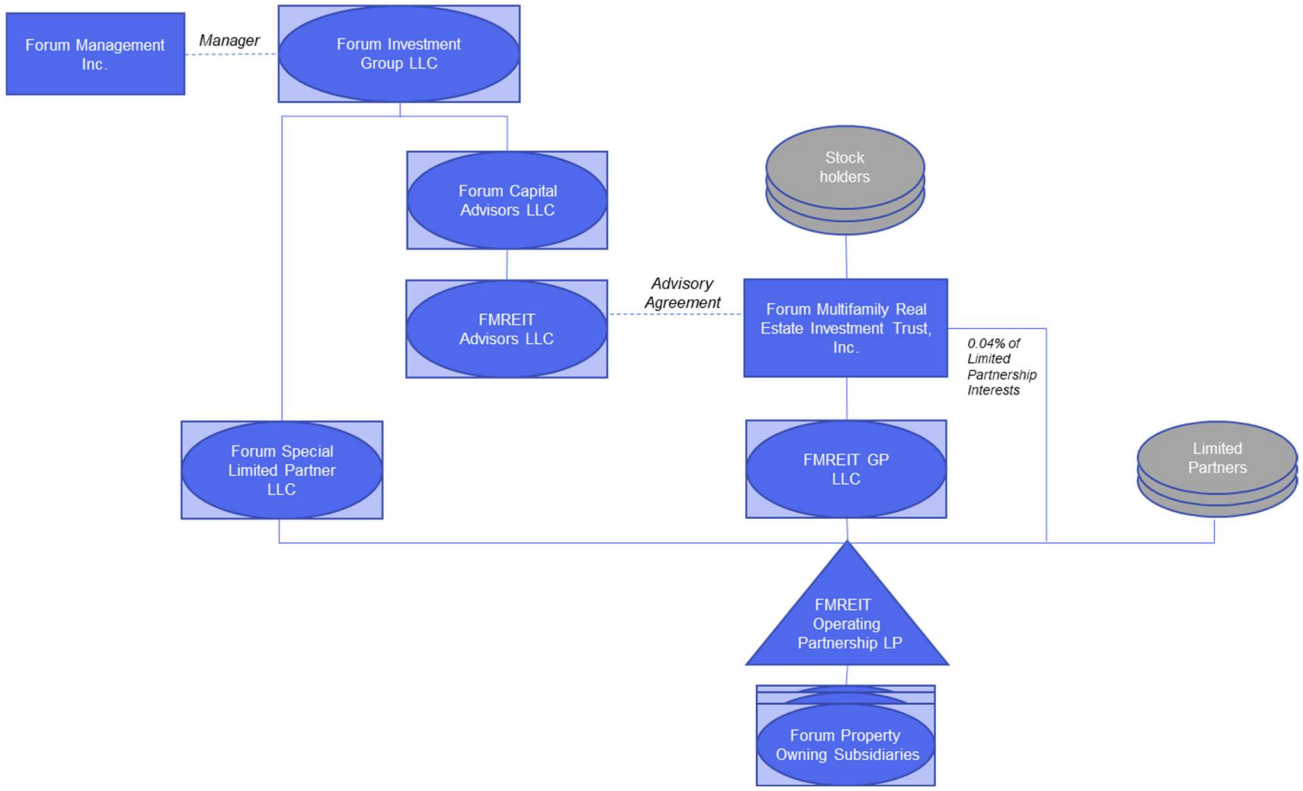
Q: WHAT IS A NON-LISTED, PERPETUAL-LIFE REIT?

A: A non-listed REIT is a REIT whose shares are not listed for trading on a stock exchange or other securities market. We use the term "perpetual-life REIT" to describe an investment vehicle of indefinite duration, whose shares of common stock are intended to be sold by the REIT monthly on a continuous basis at a price generally equal to the REIT's prior month's NAV per share. In our perpetual-life structure, the investor may request that we redeem their shares on a monthly basis, but we are not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month in our discretion. While we may consider a liquidity event at any time in the future, we are not obligated by our charter or otherwise to effect a liquidity event at any time.

Q: HOW DO YOU STRUCTURE THE OWNERSHIP AND OPERATION OF YOUR ASSETS?

A: We own, and continue to plan to own, all or substantially all of our assets through the Operating Partnership. We, through FMREIT GP, are the sole general partner of the Operating Partnership and Forum Special Limited Partner LLC, a Delaware limited liability company (the "Special Limited Partner"), with a managing member that is a subsidiary of the Sponsor, owns a special limited partner interest in the Operating Partnership. In addition, each of the Advisor and the Special Limited Partner may elect to receive units in the Operating Partnership ("OP Units") in lieu of cash for its asset management fee and performance participation allocation, respectively; provided that the Advisor and Special Limited Partner may not elect to receive Class F OP Units. Additionally, the Advisor may elect to receive shares of common stock in lieu of cash for its asset management fee; provided that the Advisor may not elect to receive Class F shares. See "Compensation." Subject to certain limitations in the Operating Partnership's limited partnership agreement ("OP Agreement"), the Advisor and the Special Limited Partner may put any OP Units received in lieu of cash back to the Operating Partnership and receive cash unless our board of directors determines that any such redemption for cash would be prohibited by applicable law or the OP Agreement, in which case such OP Units will be exchanged for shares of our common stock. The use of our Operating Partnership to hold all of our assets is referred to as an Umbrella Partnership Real Estate Investment Trust ("UPREIT"). Using an UPREIT structure may give us an advantage in acquiring properties from persons who want to defer recognizing a gain for U.S. federal income tax purposes.

The following chart shows our current ownership structure and our relationship with the Sponsor, the Advisor, the General Partner and the Special Limited Partner:



Q: WHAT ARE YOUR INVESTMENT OBJECTIVES?

A: Our primary investment objectives are to:

- Preserve and protect invested capital;
- Provide current income in the form of regular, stable cash distributions to investors;
- Realize capital appreciation over the long-term from proactive investment and asset management; and
- Provide a geographically diversified portfolio of multifamily real estate investments with lower expected volatility relative to public real estate companies whose securities trade daily on a stock exchange.

We cannot assure you that we will achieve our investment objectives. In particular, we note that the NAV of non-traded REITs may be subject to volatility related to the values of their underlying assets. See the "Risk Factors" section of this Memorandum.

Q: WHAT IS YOUR INVESTMENT STRATEGY?

A: Our investment strategy is to invest directly or indirectly in multifamily apartment communities and multifamily real estate-related assets located throughout the United States. We believe that

current market dynamics and underlying fundamentals suggest the positive trends in United States multifamily housing will continue. In particular, a demonstrated reduction in housing supply in the U.S. since the Great Financial Crisis combined with positive demographic and secular trends favoring demand for multifamily housing units support long-term strength in the multifamily sector. See "Market Opportunity" for a discussion of these trends. As of August 31, 2023, we have an ownership interest in 17 apartment communities containing an aggregate of 3,539 apartment units in Arizona, Georgia, Indiana, Michigan, Minnesota, North Carolina, South Carolina, and Washington.

Our primary investment vehicle is our Operating Partnership. In certain circumstances, we may acquire assets through joint ventures, mergers or other types of business combinations. The investments will be comprised primarily of stabilized multifamily apartment communities and land which will be developed into multifamily apartment communities, and may also include publicly-traded securities related to, mortgage or mezzanine loans to, or preferred equity investments in, entities that have been formed for the purpose of acquiring or developing multifamily apartment communities.

While we plan for the majority of our investment portfolio to be allocated to stabilized multifamily real estate assets, we also expect to make material investments in multifamily real estate development projects and investments in multifamily real-estate related securities such as debt, preferred equity investments, publicly-traded securities and other securities.

We will balance the goal of achieving our portfolio allocation targets with the goal of carefully evaluating and selecting investment opportunities to maximize risk-adjusted returns. Notwithstanding the foregoing, our portfolio allocations may fluctuate from time to time due to factors such as large inflows of capital over a short period of time, our Advisor's or board of directors' assessment of the relative attractiveness of opportunities, an increase or decrease in the relative value of our investments or limitations or requirements relating to our intention to be treated as a REIT for U.S. federal tax purposes. Furthermore, from time to time we will evaluate our investment policies and may make adjustments if it is determined that a different portfolio composition, including the potential addition of commercial real estate investments outside the multifamily sector, is in our stockholders' best interests.

We will target properties located in high growth metropolitan and suburban submarkets or cities in areas throughout the United States that have, in the opinion of the Advisor and our board of directors, attractive investment dynamics for multifamily apartment owners. We do not intend to designate specific geographic allocations for the portfolio. Our Advisor intends to target regions where it sees the best opportunities that support our investment objectives and will attempt to acquire multifamily apartment communities in diverse locations so that we are not overly concentrated in a single area (though we are not precluded from owning multiple properties in a particular area).

For additional information on the sectors in which we invest, see "Investment Strategy, Objectives and Policies."

Q: WHO WILL CHOOSE WHICH INVESTMENTS TO MAKE?

A: The Advisor will choose which real property, debt and other investments to make based on specific investment objectives and criteria, including preserving and protecting our stockholders' capital contributions, providing current income to our stockholders in the form of regular cash distributions and realizing capital appreciation upon the potential sale of our assets, and subject to the direction,

oversight and approval of our board of directors. If we are considering purchasing an investment from an affiliate, a majority of our board of directors (including a majority of our independent directors) will need to approve such investment.

Q: DO YOU HAVE AN ALLOCATION POLICY?

A: Many investment opportunities that are suitable for us may also be suitable for other programs that may be sponsored or advised by our Advisor and its affiliates. To the extent our Advisor or its affiliates are investing funds at the same time we are, our Advisor and its affiliates will allocate potential investments between us and other entities that are sponsored or advised by our Advisor and its affiliates according to the strategic investment initiatives of each entity. The allocation process will be executed in a manner designed to meet each entity's investment objectives by considering the investment portfolios of each entity, the cash available for investment by each entity and diversification objectives amongst other relevant factors. If an investment opportunity is deemed appropriate for more than one entity, then, in general, allocations will be made on a pro rata basis, but the Advisor's allocation committee may make allocations on a different basis such as a rotational basis, wherein the investment opportunity would first be offered to entities that did not participate in the most recently allocated opportunity.

Q: DO YOU USE LEVERAGE?

A: Yes. We use and expect to continue to use leverage. We will target an aggregate loan-to-cost or loan-to-value ratio of 45% to 65%; provided, however, that we may obtain financing that is less than or exceeds such ratio in the discretion of our board of directors if the board of directors deems it to be in our best interest to obtain such financing. Although there is no limit on the amount we can borrow to acquire a single real estate investment, if we consummate a public offering, we may not leverage our assets with debt financing such that our borrowings are in excess of 300% of our net assets, unless a majority of our board of directors finds substantial justification for borrowing a greater amount and such excess borrowings are disclosed, along with the board of directors' justification for such excess.

Q: DO YOU ACQUIRE PROPERTIES IN JOINT VENTURES, INCLUDING JOINT VENTURES WITH AFFILIATES?

A: We may acquire properties through joint ventures with non-affiliated third parties and with affiliates of the Advisor. Any joint venture with an affiliate of the Advisor must be approved by a majority of our directors (including a majority of our independent directors) not otherwise interested in the transaction as being fair and reasonable to us and on substantially the same, or more favorable, terms and conditions as those received by other joint venture partners. In certain cases, we may not control the management of joint ventures in which we invest, but we may have the right to approve major decisions of the joint venture. We will not participate in joint ventures in which we do not have or share control to the extent that we believe such participation would potentially threaten our status as a non-investment company exempt from the Investment Company Act. This may prevent us from receiving an allocation with respect to certain investment opportunities that are suitable for both us and one or more other entities that are sponsored or advised by our Advisor and its affiliates.

Q: HOW IS AN INVESTMENT IN SHARES OF YOUR COMMON STOCK DIFFERENT FROM AN INVESTMENT IN LISTED REITS?

A: An investment in shares of our common stock generally differs from an investment in listed REITs in a number of ways, including:

- Shares of listed REITs are priced by the trading market, which is influenced generally by numerous factors, not all of which are related to the underlying value of the entity's real estate assets and liabilities. The estimated value of our real estate assets and liabilities will be used to determine our NAV rather than the trading market.

- An investment in our shares has limited or no liquidity and our share redemption program may be modified or suspended. In contrast, an investment in a listed REIT is a liquid investment, as shares can be sold on an exchange at any time.

- Listed REITs are generally self-managed, whereas our business is managed by our Advisor.

- Listed REITs may be less costly and less complex with fewer and/or different risks than an investment in us. Transactions for listed securities often involve nominal or no commissions.

Q: FOR WHOM MAY AN INVESTMENT IN YOUR SHARES BE APPROPRIATE?

A: An investment in our shares may be appropriate for you if you:

- meet the minimum suitability standards described above under "Suitability Standards;"

- seek to allocate a portion of your investment portfolio to a direct investment vehicle with an income-oriented portfolio of U.S. real estate;

- seek exposure to the U.S. multifamily real estate sector;

- seek to receive current income through regular distribution payments;

- wish to obtain the potential benefit of long-term capital appreciation; and

- are able to hold your shares as a long-term investment and do not need liquidity from your investment quickly in the near future.

We cannot assure you that an investment in our shares will allow you to realize any of these objectives. An investment in our shares is only intended for investors who do not need the ability to sell their shares quickly in the future since we are not obligated to redeem any shares of our common stock and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month in our discretion, and the opportunity to have your shares redeemed under our share redemption program may not always be available. See "Description of Capital Stock—Share Redemption Program."

Q: ARE THERE ANY RISKS INVOLVED IN BUYING YOUR SHARES?

A: Investing in our common stock involves a high degree of risk. If we are unable to effectively manage the impact of these risks, we may not meet our investment objectives and, therefore, you should purchase our shares only if you can afford a complete loss of your investment. An investment in shares of our common stock involves significant risks and is intended only for investors with a long-term investment horizon and who do not require immediate liquidity or guaranteed income. Some of the more significant risks relating to an investment in shares of our common stock include those listed below. The following is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. The following should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth in the section entitled "Risk Factors" in this Memorandum.

Risk Factor Summary

- Past performance is not a guarantee of future results. Investing in shares of our common stock involves a high degree of risk.

- REITs are not suitable for all investors. We are subject to various risks related to owning real estate, including changes in economic, demographic, and real estate market conditions. Due to the risks involved in the ownership of real estate and real estate-related investments, the amount of distributions we may pay to stockholders in the future, if any, is uncertain. There is no guarantee of any return on investment and stockholders may lose the amount they invest.

- We anticipate that our investment in real estate assets will be primarily concentrated in the multifamily real estate sector. Such sector concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included investing a more significant portion of the net proceeds of the offering in other sectors of the real estate industry, and market concentrations may expose us to the risk of economic downturns in such areas. These concentration risks could negatively impact our operating results and affect our ability to make distributions to our stockholders.

- Furthermore, investing in our common stock involves additional and substantial risks specific to us, including, among others, that:

    i. There is no assurance that we will be able to achieve our investment objectives.

    ii. There is no public trading market for shares of our common stock, and we do not anticipate that there will be a public trading market for our shares, so redemption of shares by us will likely be the only way to dispose of your shares. Our share redemption program will provide you with the opportunity to request that we redeem your shares on a monthly basis, but we are not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month, in our discretion. In addition, redemptions will be subject to available liquidity and other significant restrictions. Further, our board of directors may make exceptions to, modify or suspend our share redemption program if in its reasonable judgment it deems such actions to be in our best interest and the best interest of our stockholders. Although our board of directors has the discretion to suspend our share redemption program, our board of directors will not terminate our share redemption program other than in connection with a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or

where otherwise required by law. As a result, our shares should be considered as having only limited liquidity and at times may be illiquid; therefore, you must be prepared to hold your shares for an indefinite length of time.

iii. A portion of the proceeds received in this offering is expected to be used to satisfy redemption requests. Using the proceeds from this offering for redemptions will reduce the net proceeds available to retire debt or acquire additional investments, which may result in reduced liquidity and profitability or restrict our ability to grow our NAV.

iv. The transaction price and redemption price for shares of our common stock are generally based on our prior month's NAV and are not based on any public trading market. In addition to being up to a month old when share purchases and redemptions take place, our NAV does not currently represent our enterprise value and may not accurately reflect the actual prices at which our assets could be liquidated on any given day, the value a third party would pay for all or substantially all of our shares, or the price that our shares would trade at on a national stock exchange. Furthermore, our board of directors may amend our NAV procedures from time to time. Although there will be independent appraisals of our properties, the appraisal of properties is inherently subjective and our NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.

v. Distributions are not guaranteed and may be funded from sources other than cash flow from operations, including, without limitation, borrowings, the sale of our assets, return of capital or offering proceeds, and advances or the deferral of fees and expenses. We have no limits on the amounts we may fund from such sources.

vi. We depend on our Advisor and its affiliates to select investments and to manage our business.

vii. We pay substantial fees to our Advisor and its affiliates. These fees increase the risk that you will not earn a profit on your investment. These fees were not negotiated at arm's length and therefore may be higher than fees payable to unaffiliated third parties.

viii. The Sponsor, the Advisor and their affiliates are subject to conflicts of interest, including conflicts arising from time constraints and the fact that the fees our Advisor receives for services rendered to us are based on our NAV, the procedures for which the Advisor assists our board of directors in developing, overseeing, implementing and coordinating.

ix. Our use of leverage, such as mortgage indebtedness and other borrowings, increases the risk of loss on our investments. Principal and interest payments on these loans reduce the amount of money that would otherwise be available for other purposes.

x. Volatility in the debt markets could affect our ability to obtain financing for investments or other activities related to real estate assets and the diversification or value of our portfolio, potentially reducing cash available for distribution to our stockholders or our ability to make investments. In addition, we have loans and may obtain future loans with variable interest rates, volatility in the debt markets could negatively impact such loans.

xi. Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

See "Risk Factors."

Q: WHAT IS THE ROLE OF OUR BOARD OF DIRECTORS?

A: We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. We have five directors, three of whom have been determined to be independent of us, the Advisor, Sponsor and its affiliates. Our independent directors are responsible for reviewing the performance of the Advisor and approving the compensation paid to the Advisor and its affiliates. Our directors are elected annually by our stockholders. The names and biographical information of our directors are provided under "Management—The Board Directors."

Q: WHAT ARE THE DIFFERENCES BETWEEN THE VARIOUS CLASSES OF COMMON STOCK?

A: We are only offering Class F shares and Class C shares pursuant to this Memorandum. Class C shares are only being offered pursuant to our distribution reinvestment plan. However, in the future, we may offer and sell Class T, Class S, Class D and Class I shares, which will bear an annual asset management fee equal to 1.25% of the aggregate NAV of Class T, Class S, Class D and Class I shares. Class C and Class F shares will bear an annual asset management fee equal to 0.75% of the aggregate NAV of Class C and Class F shares, respectively, which is 40% lower than the rate at which the asset management fee will be borne by the other classes. In addition to the lower asset management fee, Class F shares are entitled to a percentage of the Special Limited Partner's performance participation allocation. The percentage of the performance participation allocation that each individual Class F share will be entitled to shall equal such percentage that bears the same ratio to one Class F share as 0.658305% bears to 1,000,000 Class F shares (such amount, the "Class F Percentage Interest"). Because each Class F OP Unit and Class F share (collectively, the "Class F Interests") is entitled to a fixed Class F Percentage Interest in the performance participation allocation, the total percentage interest in the Special Limited Partner's performance participation allocation of holders of Class F Interests (the "Aggregate Class F Percentage Interest") will equal the Class F Percentage Interest multiplied by the total number of Class F Interests then outstanding. The Aggregate Class F Percentage Interest will increase if additional Class F shares are issued in excess of any Class F Interests redeemed, which will result in a corresponding reduction to the performance participation allocation payable to the Special Limited Partner. If the performance participation allocation is earned for a particular year, a pro rata cash distribution of the Aggregate Class F Percentage Interest will be paid with respect to each Class F OP Unit and Class F share. Class F Interests will be entitled to share in the performance participation allocation as described above until such time as they are no longer outstanding. Class C OP Units and Class C shares (collectively, the "Class C Interests") are not entitled to a portion of the Special Limited Partner's performance participation allocation. If we offer and sell Class T, Class S, Class D and Class I shares, such shares will not bear a lower asset management fee or be entitled to a portion of the Special Limited Partner's performance participation allocation.

See "Description of Capital Stock" and "Plan of Distribution" for additional information.

Q: WHAT IS THE PER SHARE OFFERING PRICE IN THIS OFFERING?

A: Shares will generally be sold at the then-current transaction price, which will generally be the NAV per share as of the last day of the prior month of the class of shares being purchased, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. Although the transaction price for shares of our common stock is generally based on the prior month's NAV per share, the NAV per share of such stock as of the date on which your purchase is settled may be significantly different. We generally do not expect to change the transaction price from the prior month's NAV, but may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the prior month's NAV per share, including by updating a previously disclosed transaction price, in exceptional cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month due to the aggregate impact of factors such as general significant market events or disruptions or force majeure events. Each class of shares may have a different NAV per share because distribution and other fees may differ with respect to each class.

Q: HOW IS YOUR NAV PER SHARE CALCULATED?

A: Our board of directors, including a majority of our independent directors, has adopted valuation guidelines, as amended from time to time, that contain a comprehensive set of methodologies to be used in connection with the calculation of our NAV. Our NAV is calculated monthly based on the fair values of our investments, the addition of any other assets and the deduction of any other liabilities. With the approval of our board of directors, including a majority of our independent directors, we have engaged Altus Group U.S. Inc., "Altus Group" or our "Independent Valuation Advisor," a valuation firm, with respect to providing quarterly real property asset appraisals, debt-related asset valuations, reviewing annual third-party real property asset appraisals, and helping us administer the valuation and review process. As described in our valuation guidelines, each real property is appraised by a third-party appraiser at least once per calendar year and reviewed by the Advisor and the Independent Valuation Advisor. Additionally, the real property assets not appraised by a third-party appraiser in a given calendar month will be appraised for such calendar month by our Independent Valuation Advisor, and such appraisals are reviewed by our Advisor. Estimates of the fair values of certain of our other assets, debt, and other liabilities are determined by the Independent Valuation Advisor or other suitable pricing sources.

The NAV per share for Class F and Class C shares is expected to be the same. However, if we issue shares of Class T, S, D or I shares in the future, we expect that the NAV per share for such classes will, over time, be lower than the NAV per share for Class F and Class C shares because the asset management fee allocable to the Class F and C shares is calculated at a lower rate (0.75% of NAV) than the rate applicable to the other share classes (1.25% of NAV).

Our NAV per share is calculated as of the last calendar day of each month for each of our outstanding classes of stock and is available generally within 15 calendar days after the end of the applicable month. Our NAV per share is calculated by our Advisor.

NAV is not a measure used under generally accepted accounting principles in the United States ("GAAP") and the valuations of and certain adjustments made to our assets and liabilities used in the determination of NAV will differ from GAAP. You should not consider NAV to be equivalent to stockholders' equity or any other GAAP measure. See "Net Asset Value Calculation and

Valuation Procedures" for more information regarding the calculation of our NAV per share of each class and how our properties and real estate debt will be valued.

Q: IS THERE ANY MINIMUM INVESTMENT REQUIRED?

A: The minimum initial investment in Class F shares is $25,000 and the minimum subsequent investment in such shares is $500 per transaction. The minimum subsequent investment amount does not apply to purchases made under our distribution reinvestment plan. In addition, we may elect to accept smaller investments in our sole discretion.

Q: WHAT IS A "REASONABLE BEST EFFORTS" OFFERING?

A: We have engaged the Dealer Manager, through whom we will offer our common stock on a "reasonable best efforts" basis to "accredited investors," as that term is defined in Regulation D under the Securities Act. When common stock is offered on a "reasonable best efforts" basis, our Dealer Manager is only required to use its good faith best efforts and reasonable diligence to sell the shares and has no firm commitment or obligation to purchase any of the shares. Therefore, we may not sell all of the shares that we are offering.

Q: WHAT IS THE EXPECTED TERM OF THIS OFFERING?

A: This offering is a perpetual life offering; however, we may terminate this offering at any time in our sole discretion. We may elect to register our securities for public sale under the Securities Act. If we elect to publicly offer our securities, this private offering would terminate prior to the commencement of such public offering. We may terminate this offering at any time in our sole discretion. We would be required to register as a public reporting company under the Securities Exchange Act of 1934, as amended, or the Exchange Act, if, as of the end of a calendar year, we have more than $10 million in assets and securities "held of record" by either 2,000 or more persons who are accredited investors, or 500 or more persons who are not accredited investors.

Q: WHEN MAY I MAKE PURCHASES OF SHARES AND AT WHAT PRICE?

A: Subscriptions to purchase our common stock may be made on an ongoing basis, but investors may only purchase our common stock pursuant to accepted subscription orders as of the first business day of each month (based on the prior month's transaction price), and to be accepted, a subscription request must be received in good order at least five business days prior to the first business day of the month (unless waived by the Company). The offering price per share of each class will be equal to the then-current transaction price, which will generally be the NAV per share as of the last day of the prior month of the class of shares being purchased, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. We may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the prior month's NAV per share, including by updating a previously disclosed transaction price, in cases where we believe there has been a material change (positive or negative) to our NAV per share since the end of the prior month. See "How to Subscribe" for more details.

For example, if you submit a subscription for shares of our common stock in October, your subscription request must be received in good order at least five business days before the first business day of November. Generally, the offering price will equal the NAV per share of the applicable class as of the last calendar day of September, plus, if applicable, upfront commissions

or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. If accepted, your subscription will be effective on the first business day of November.

Certain broker dealers may have arrangements with their clients to be paid upfront commissions or other fees, including without limitation brokerage commissions and placement fees, provided that such compensation cannot exceed, on a per share basis, 6.5% of the transaction price per share. Any such commissions and fees will be paid by the investor as part of its offering price and not by us. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees.

Q: WHEN WILL THE TRANSACTION PRICE BE AVAILABLE?

A: Generally, within 15 calendar days after the last calendar day of each month, we will determine our NAV per share for each share class as of the last calendar day of the prior month, which will generally be the transaction price for the then-current month for such share class. However, in certain circumstances, the NAV will not be made available until a later time. We will disclose the NAV for each month when available on our website, provided that our board of directors may change our NAV per share. If the NAV per share is changed after it is announced for a particular month, we will disclose the new NAV on our website and will provide notice of the updated NAV/transaction price directly to investors who have already submitted subscriptions for such month when such updated transaction price is available. You will have at least three business days from delivery of such notice before your subscription is accepted. See "How to Subscribe."

Q: MAY I WITHDRAW MY SUBSCRIPTION REQUEST ONCE I HAVE MADE IT?

A: Yes. Subscribers are not committed to purchase shares at the time their subscription orders are submitted and any subscription may be canceled at any time before the time it has been accepted. You may withdraw your purchase request by notifying the transfer agent, through your financial intermediary or directly on our toll-free, automated telephone line, 888-479-4008.

Q: WHEN WILL MY SUBSCRIPTION BE ACCEPTED?

A: Completed subscription requests will not be accepted by us before the later of (i) two business days before the first business day of each month and (ii) three business days after we make the transaction price (including any subsequent revised transaction price) available. As a result, you will have a minimum of three business days after the transaction price for that month has been disclosed to withdraw your request before you are committed to purchase the shares. If for any reason we reject the subscription, or if the subscription request is canceled before it is accepted or withdrawn as described below, we will return the subscription agreement and the related funds, without interest or deduction, within 10 business days after such rejection, cancellation or withdrawal.

Q: WILL I RECEIVE DISTRIBUTIONS AND HOW OFTEN?

A: We have declared, and intend to continue to declare, monthly distributions as authorized by our board of directors (or a duly authorized committee of the board of directors) and have paid, and intend to continue to pay, such distributions to stockholders of record on a monthly basis. We commenced paying distributions in the third quarter of 2023 and will pay distributions each month thereafter. Any distributions we make are at the discretion of our board of directors, considering

factors such as our earnings, cash flow, capital needs and general financial condition and the requirements of Maryland law, amongst other relevant factors. As a result, our distribution rates and payment frequency may vary from time to time. Share redemptions under our share redemption program are effectuated as of the opening of the last calendar day of each month and we have historically declared monthly distributions with a record date as of the close of business of the last calendar day of each month. You will not be entitled to receive a distribution if your shares are redeemed prior to the applicable time of the record date.

Our board of directors' discretion as to the payment of distributions will be directed, in substantial part, by its determination to cause us to comply with the REIT requirements. To maintain our qualification as a REIT, we generally are required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income determined without regard to the dividends-paid deduction and excluding net capital gains. See "Description of Capital Stock—Distribution Policy" and "Material U.S. Federal Income Tax Considerations."

There is no assurance we will pay distributions in any particular amount, if at all. We may fund any distributions from sources other than cash flow from operations, including, without limitation, borrowings, the sale of our assets, repayments of our real estate debt investments, return of capital or offering proceeds, and advances or the deferral of fees and expenses, and we have no limits on the amounts we may fund from such sources. The extent to which we fund distributions from sources other than cash flow from operations will depend on various factors, including the level of participation in our distribution reinvestment plan, the extent to which the Advisor elects to receive its asset management fee in shares or OP Units and the Special Limited Partner elects to receive distributions of its performance participation allocation in OP Units, how quickly we invest the proceeds from this and any future offering and the performance of our investments. Funding distributions from borrowings, the sale of our assets, repayments of our real estate debt investments, return of capital or offering proceeds, and advances or the deferral of fees and expenses will result in us having less funds available to acquire properties or other real estate-related investments. As a result, the return you realize on your investment may be reduced. Doing so may also negatively impact our ability to generate cash flows. Likewise, funding distributions from the sale of additional securities will dilute your interest in us on a percentage basis and may impact the value of your investment especially if we sell these securities at prices less than the price you paid for your shares.

Q: WILL THE DISTRIBUTIONS I RECEIVE BE TAXABLE?

A: Distributions that you receive, including distributions that are reinvested pursuant to our distribution reinvestment plan, will generally be taxed as ordinary dividend income to the extent they are paid out of our current or accumulated earnings and profits. However, if we recognize a long term capital gain upon the sale of one of our assets, a portion of our distributions may be designated and treated in your hands as a long term capital gain. In addition, we expect that some portion of your distributions may not be subject to tax in the year received due to the fact that depreciation expense reduces taxable income as well as earnings and profits but does not reduce cash available for distribution. Amounts distributed to you in excess of our earnings and profits will reduce the tax basis of your investment and will not be taxable to the extent thereof, and distributions in excess of tax basis will be taxable as an amount realized from the sale of your shares of common stock. This, in effect, would defer a portion of your tax until your investment is sold or we are liquidated, at which time you may be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor.

Q: MAY I REINVEST MY CASH DISTRIBUTIONS IN ADDITIONAL SHARES?

A: Yes. We have adopted a distribution reinvestment plan whereby stockholders may elect to have their cash distributions reinvested in additional shares of our common stock.

If you participate in our distribution reinvestment plan, the cash distributions attributable to the class of shares that you own will be automatically reinvested in Class C shares of common stock. Additionally, distributions attributable to the allocation of a portion of the Special Limited Partner's performance participation allocation will not be eligible for the distribution reinvestment plan. The purchase price for shares purchased under our distribution reinvestment plan will be equal to the transaction price for such shares at the time the distribution is payable. Stockholders will not pay upfront selling commissions when purchasing shares under our distribution reinvestment plan. Participants may terminate their participation in the distribution reinvestment plan with 10 business days' prior written notice to us and our board of directors may amend, suspend or terminate the distribution reinvestment plan in its discretion at any time upon 10 days' notice to you. See "Description of Capital Stock—Distribution Reinvestment Plan" for more information regarding the reinvestment of distributions you may receive from us. For the complete terms of the distribution reinvestment plan, see Appendix B to this Memorandum.

Q: CAN I REQUEST THAT MY SHARES BE REDEEMED?

A: Yes. We expect that there will be no regular secondary trading market for shares of our common stock. While you should view your investment as long-term with limited liquidity, we have adopted a share redemption program applicable to all shares of our common stock, whereby stockholders may receive the benefit of limited liquidity by presenting for redemption to us all or any portion of those shares in accordance with the procedures and subject to certain conditions and limitations described in "Description of Capital Stock—Share Redemption Program." To the extent our board of directors determines that we have sufficient available cash for redemptions, we intend to redeem shares under our share redemption program on a monthly basis. If redemption requests, in the business judgment of our board of directors, place an undue burden on our liquidity, adversely affect our operations, risk having an adverse impact on stockholders whose shares are not redeemed, or should we otherwise determine that investing our liquid assets in real properties or other investments rather than repurchasing our shares is in the best interests of the Company as a whole, then our board of directors may make exceptions to, suspend or otherwise modify our share redemption program if in its reasonable judgment it deems such action to be in our best interest and the best interest of our stockholders. Although our board of directors has the discretion to suspend our share redemption program, our board of directors will not terminate our share redemption program other than in connection with a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. Our board of directors may determine that it is in our best interests and the interest of our stockholders to suspend the share redemption program as a result of regulatory changes, changes in law, if our board of directors becomes aware of undisclosed material information that it believes should be publicly disclosed before shares are redeemed, a lack of available funds, a determination that redemption requests are having an adverse effect on our operations or other factors. See "Description of Capital Stock—Share Redemption Program" for more information.

While stockholders may request on a monthly basis that we redeem all or any portion of their shares pursuant to our share redemption program, we are not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month, in our discretion. We may reject any redemption request if we determine that fulfilling the redemption request could jeopardize our REIT status. In addition, our ability to

fulfill redemption requests is subject to a number of limitations. As a result, share redemptions may not be available each month. Under our share redemption program, to the extent we determine to redeem shares in any particular month, we will only redeem shares as of the last calendar day of that month (each such date, a "Redemption Date"). Redemptions will be made at the transaction price in effect on the Redemption Date (which will generally be equal to our most recently disclosed monthly NAV per share), except that shares that have not been outstanding for at least one year will be redeemed at 95% of the transaction price (an "Early Redemption Deduction"). An Early Redemption Deduction may be waived in certain circumstances including: (i) in the case of redemption requests arising from the death or qualified disability of the holder; or (ii) with respect to shares purchased through our distribution reinvestment plan or received from us as a stock dividend. In addition, for shares of our common stock acquired through the redemption of OP Units, the date of issuance of such OP Units will be the start date for purposes of calculating the one-year period during which the Early Redemption Deduction would apply. To have your shares redeemed, your redemption request and required documentation must be received in good order by 4:00 p.m. (Eastern time) on the second to last business day of the applicable month. Settlements of share redemptions will be made within three business days of the Redemption Date. An investor may withdraw its redemption request by notifying the transfer agent before 4:00 p.m. (Eastern time) on the last business day of the applicable month.

The total amount of aggregate redemptions of Class T, Class S, Class D, Class C, Class F and Class I shares (based on the price at which the shares are redeemed) will be limited for each calendar month to 2% of the aggregate NAV of all classes as of the last calendar day of the previous month and for each calendar quarter will be limited to 5% of the aggregate NAV of all classes of shares as of the last calendar day of the previous calendar quarter (subject to potential carry-over capacity).

We currently measure the foregoing redemption allocations and limitations based on net redemptions during a month or quarter, as applicable. The term "net redemptions" means, during the applicable period, the excess of our share redemptions (capital outflows) over the proceeds from the sale of our shares (capital inflows). Thus, for any given calendar quarter, the maximum amount of redemptions during that quarter will be equal to (1) 5% of the combined NAV of all classes of shares as of the last calendar day of the previous calendar quarter, plus (2) proceeds from sales of new shares in an offering (including purchases pursuant to our distribution reinvestment plan) since the beginning of the current calendar quarter. The same would apply for a given month, except that redemptions in a month would be subject to the 2% limit described above (subject to potential carry-over capacity), and netting would be measured on a monthly basis. With respect to future periods, our board of directors may choose whether the allocations and limitations will be applied to "gross redemptions," i.e., without netting against capital inflows, rather than to net redemptions. If redemptions for a given month or quarter are measured on a gross basis rather than on a net basis, the redemption limitations could limit the amount of shares redeemed in a given month or quarter despite our receiving a net capital inflow for that month or quarter. In order for our board of directors to change the application of the allocations and limitations from net redemptions to gross redemptions or vice versa, we will provide notice to stockholders at least 10 days before the first business day of the quarter for which the new test will apply. The determination to measure redemptions on a gross basis, or vice versa, will only be made for an entire quarter, and not particular months within a quarter.

Although the vast majority of our assets consist of properties that cannot generally be readily liquidated on short notice without impacting our ability to realize full value upon their disposition, we intend to maintain a number of sources of liquidity, which may include (i) cash equivalents (e.g. money market funds), other short-term investments, U.S. government securities, agency securities and liquid real estate-related securities and (ii) one or more borrowing facilities. We may fund

redemptions from any available source of funds, including operating cash flows, borrowings, proceeds from our public offerings and/or sales of our assets.

Should redemption requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the Company as a whole, or should we otherwise determine that investing our liquid assets in real properties or other illiquid investments rather than redeeming our shares is in the best interests of the Company as a whole, then we may choose to redeem fewer shares than have been requested to be redeemed, or none at all. In the event that we determine to redeem some but not all of the shares submitted for redemption during any month for any of the foregoing reasons, shares submitted for redemption during such month will be redeemed on a pro rata basis. All unsatisfied redemption requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the share redemption program, as applicable. If the transaction price for the applicable month is not made available by the 10th business day prior to the last business day of the month (or is changed after such date), then no redemption requests will be accepted for such month and stockholders who wish to have their shares redeemed the following month must resubmit their redemption requests. See "Description of Capital Stock—Share Redemption Program."

Q: WILL I BE NOTIFIED OF HOW MY INVESTMENT IS DOING?

A: Yes. We will provide you with periodic updates on the performance of your investment with us, including:

- monthly investor statements;
- following the first month in which we establish a NAV, monthly fact sheets;
- three quarterly financial reports (unaudited);
- an annual report;
- in the case of certain U.S. stockholders, an annual Internal Revenue Service ("IRS") Form 1099-DIV or IRS Form 1099-B, if required, and, in the case of non-U.S. stockholders, an annual IRS Form 1042-S;
- confirmation statements (after transactions affecting your balance, except reinvestment of distributions in us and certain transactions through minimum account investment or withdrawal programs); and
- a quarterly statement providing material information regarding your participation in the distribution reinvestment plan and an annual statement providing tax information with respect to income earned on shares under the distribution reinvestment plan for the calendar year.

We will provide this information to you by electronic delivery, including, with respect to our annual report, by notice of the posting of our annual report on our password-protected web site, the link to which will be emailed to you at your designated email address. However, you may opt out of electronic delivery by checking the appropriate box in the subscription agreement and may withdraw your consent to electronic delivery at any time by notifying us in writing. If you opt out of electronic delivery, we will provide this information to you via U.S. mail or other courier. If we become a reporting company under the Exchange Act, we will also include on this web site access to our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on

Form 8-K, our proxy statement and other filings we make with the SEC, which filings will provide you with periodic updates on our performance. In addition, our quarterly and annual reports will set forth information regarding the sources of our distribution payments, which such disclosures will be consistent with the staff positions of federal and state regulators if we commence a public offering and become subject to state regulation.

Q: WHAT INFORMATION ABOUT YOUR PORTFOLIO OF REAL ESTATE INVESTMENTS DO YOU INTEND TO PROVIDE TO STOCKHOLDERS?

A: We expect to provide our stockholders with periodic business updates, including quarterly reports with unaudited financial statements (for the first, second and third quarters of the fiscal year). We intend to deliver these quarterly reports to our stockholders within 60 days after the end of each quarter. We also may supplement this Memorandum upon the occurrence of certain events, such as material property acquisitions. We also intend to provide annual audited financial statements, which will be delivered within 120 days of the fiscal year end. KPMG LLP is currently the independent auditor of our financial statements for the year ending 2023. We will use the accrual method of accounting and prepare our financial statements in accordance with GAAP. We will report income and deductions for income tax purposes in accordance with the Code and treasury regulations.

Q: WHAT FEES DO YOU PAY THE ADVISOR, DEALER MANAGER AND THEIR AFFILIATES?

A: The Advisor and its affiliates receive compensation and fees for services related to this offering and for the investment and management of our assets, subject to review and approval of a majority of our board of directors, including a majority of the independent directors. Set forth below is a summary of the fees and expenses we expect to pay these entities. We will not pay the Dealer Manager any compensation in connection with this offering, but the Advisor or an affiliate of the Advisor will pay certain fees to the Dealer Manager, as described in “Plan of Distribution.”

Type of Compensation and Recipient	Description and Method of Computation	Estimated Maximum Dollar Amount
Organization and Offering Expense Reimbursement—the Advisor or its Affiliates	We also pay directly, or reimburse the Advisor if they pay on our behalf, any issuer organization and offering expenses as and when incurred. Expenses incurred in connection with this offering may include legal, accounting, printing, mailing and filing fees and expenses, bona fide due diligence expenses of participating broker dealers and investment advisers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of our escrow agent and transfer agent, costs reimbursement for registered representatives of participating broker dealers to attend educational conferences sponsored by us, fees to attend retail seminars sponsored by participating broker dealers, reimbursements for customary travel, lodging, meals and reasonable entertainment expenses, reimbursement of broker dealers for technology, costs and expenses associated with the offering, and costs and expenses associated with the facilitation of the marketing of our shares and ownership of our shares by their participating customers, and other actual costs of registered representatives of the Dealer Manager who are employees of the Advisor or an affiliate of the Advisor, but excluding any upfront selling commissions. The Advisor has agreed to advance all of our organization and offering expenses on our behalf through December 31, 2024. We will reimburse the Advisor for all of the foregoing advanced expenses ratably over the 60 months following December 31, 2024. After December 31, 2024, we will reimburse the Advisor for any additional offering expenses that it incurs on our behalf as and when incurred.	We estimate offering expenses incurred in connection with this offering to be approximately $1,000,000-$1,500,000 if we sell the maximum offering amount. For a discussion of our organization costs incurred prior to the commencement of this offering, see "The Advisor and the Advisory Agreement—The Advisory Agreement—Fee and Expense Reimbursements—Reimbursement of Organization and Offering Expenses."

Acquisition Fees and Expenses—the Advisor and Affiliates of the Advisor	We do not intend to pay the Advisor any acquisition, financing or other similar fees in connection with making investments. However, the Advisor or an affiliate thereof may be entitled to receive fees in connection with the development or construction of a property ("Development Fee") as well as reimbursement for expenses incurred in connection with the selection, evaluation, structuring, acquisition, origination, financing and development of any assets ("Acquisition Expenses"). It is expected that the Development Fee will be equal to 4.0% of the total project cost of each development property, excluding the cost of the land and the Development Fee itself.	Actual amounts are dependent upon actual expenses incurred and, therefore, cannot be determined at this time.
Asset Management Fee—the Advisor	We and our Operating Partnership pay the Advisor an annual asset management fee, payable monthly, equal to 1.25% of the aggregate NAV of the outstanding Class T, Class S, Class D and Class I shares and Class T, Class S, Class D and Class I OP Units (to the extent such OP Units are not held by us), if any, and 0.75% of the aggregate NAV of the outstanding Class C and Class F shares and Class C and Class F OP Units (to the extent such OP Units are not held by us). The asset management fee may be paid, at the Advisor's election, in cash or cash equivalent aggregate NAV amounts of shares or OP Units in a class elected by the Advisor; provided that the Advisor will not be permitted to elect to receive Class F shares or Class F OP Units. To the extent that the Advisor elects to receive any portion of its asset management fee in shares, we may redeem such shares from the Advisor at a later date. Shares of our common stock obtained by the Advisor in lieu of a cash asset management fee will not be subject to the redemption limits of our share redemption program or any Early Redemption Deduction. Subject to certain limitations in the OP Agreement, the Operating Partnership will redeem any such OP Units for cash unless	Actual amounts of the management fee depend upon our aggregate NAV. The management fee attributed to the shares sold in this offering will equal approximately $0.9 million per annum if we sell the maximum amount in this offering, assuming that the NAV per share of Class F shares remains constant from when this offering commenced and before giving effect to any shares issued under our distribution reinvestment, additional private placements or share redemptions.

	our board of directors determines that any such redemption for cash would be prohibited by applicable law or the OP Agreement, in which case such OP Units will be exchanged for shares of our common stock with an equivalent aggregate NAV. The Advisor and the Special Limited Partner will have the option of exchanging shares of any class for an equivalent aggregate NAV amount of any other class of our shares, other than Class F shares and provided that any such exchange would not jeopardize our REIT status.	
Expense Reimbursement—the Advisor	In addition to the organization and offering expense and Acquisition Expense reimbursements described above, we will reimburse the Advisor for out-of-pocket costs and expenses it incurs in connection with the services it provides to us, including, but not limited to, (1) fees, costs and expenses in connection with the issuance and transaction costs incident to the trading, settling, disposition and financing of any investment, (2) the actual cost of goods and services used by us and obtained from persons unaffiliated with the Advisor, including fees paid to administrators, consultants, attorneys, technology providers and other service providers and brokerage fees paid in connection with the purchase and sale of any securities, (3) taxes, (4) insurance for our directors and officers, (5) managing and operating assets owned by us, whether payable to an affiliate of the Advisor or otherwise, (6) compensation paid to the independent directors and expenses related to meetings of the directors and stockholders, (7) distributions to be made by us to the stockholders, (8) communications with stockholders, including the cost of preparation, printing, and mailing annual reports and other stockholder reports, proxy statements and other reports required by governmental entities, (9) audit, accounting and legal fees and other fees for professional services relating to our operations, (10) out-of-pocket costs for us to comply with all	Actual amounts of out-of-pocket expenses paid by the Advisor that we reimburse are dependent upon actual expenses incurred and, therefore, cannot be determined at this time.

	applicable laws, regulations and ordinances, and (11) any other expenses incurred by the Advisor or its affiliates in the performance of the Advisor's duties under the Advisory Agreement. See "The Advisor and the Advisory Agreement—The Advisory Agreement" for more details.	
Performance Participation Allocation—Special Limited Partner	So long as the Advisory Agreement (as defined below) has not been terminated, the Special Limited Partner will continue to hold an interest in the performance participation allocation from the Operating Partnership. The performance participation allocation is calculated on a class-specific basis as the lesser of (1) 12.5% of (a) the annual total return amount for such class of Fund Interests less (b) any loss carryforward for such class of Fund Interests, and (2) the amount equal to (x) the annual total return amount for such class of Fund Interests, less (y) any loss carryforward for such class of Fund Interests, less (z) the amount needed to achieve an annual total return amount equal to 5% of the NAV per Fund Interest (as defined below) of such class at the beginning of such year (the "Hurdle Amount"). The foregoing calculations are calculated on a per Fund Interest basis and multiplied by the weighted average Fund Interests of the applicable class outstanding during the year. "Fund Interests" means the outstanding shares of our common stock, along with the OP Units, which may be held directly or indirectly by the Advisor, the Sponsor and third parties. In no event will the performance participation allocation be less than zero. Accordingly, if the annual total return amount exceeds the Hurdle Amount plus the amount of any loss carryforward for the applicable class of Fund Interests, then the Special Limited Partner will earn a performance participation allocation equal to 100% of such excess, but limited to 12.5% of the	Actual amounts of the performance participation allocation depend upon the Operating Partnership's actual annual total return and, therefore, cannot be calculated at this time.

annual total return amount that is in excess of the loss carryforward. The results of these class-specific calculations of the performance participation allocation for each class of Fund Interests are aggregated and the resulting amount is the performance participation allocation to be distributed.

The "annual total return amount" referred to above is calculated on a class-specific basis and means all distributions paid or accrued per Fund Interest of the applicable class (excluding distributions related to the Aggregate Class F Percentage Interest) plus any change in NAV per Fund Interest of such class since the end of the prior calendar year, adjusted to exclude the negative impact on annual total return resulting from our payment or obligation to pay, or distribute, as applicable, the class-specific performance participation allocation. With respect to the first calculation of the performance participation allocation, the initial value of the Class F Fund Interests shall be $25.00 (irrespective of the price at which Class F shares are purchased in this offering). If the performance participation allocation is being calculated with respect to a year in which we complete a liquidity event (if any), for purposes of determining the annual total return amount, the change in NAV per Fund Interest will be deemed to equal the difference between the NAV per Fund Interest as of the end of the prior calendar year and the value per Fund Interest determined in connection with such liquidity event. The measurement of the change in NAV per Fund Interest for the purpose of calculating the annual total return amount is subject to adjustment by our board of directors to account for any dividend, split, recapitalization or any other similar change in the Operating Partnership's capital structure or any distributions that our board of directors deems to be a return of capital if such changes are not already reflected in the Operating Partnership's net assets.

The "loss carryforward" referred to above will track any negative annual total return amounts for the applicable class of Fund Interests from prior years and offset the positive annual total return amount for such class of Fund Interests for purposes of the calculation of the performance participation allocation. The performance participation allocation will be payable for each calendar year in which the Advisory Agreement is in effect, even if the Advisory Agreement is in effect for a partial year. The performance participation allocation will accrue monthly and will begin to be calculated and accrued from and after our determination of the initial NAV per share. In the event the Advisory Agreement is terminated or its term expires without renewal, the partial period performance participation allocation will be due and payable upon the termination date.

In such event, for purposes of determining the "annual total return amount," the change in NAV per Fund Interest will be determined based on a good faith estimate of what our NAV per Fund Interest would be as of that date (if the NAV had been calculated in accordance with our valuation policy); provided, that, if the Advisory Agreement is terminated with respect to a liquidity event, the performance participation allocation will be due and payable in connection with such liquidity event and the annual total return amount will be calculated as set forth above with respect to a year in which we complete a liquidity event. In addition, in the event the Operating Partnership commences a liquidation of its investments during any calendar year, the performance participation allocation will be calculated at the end of the liquidation period prior to the distribution of the liquidation proceeds to the holders of OP Units.

If the performance participation allocation is payable with respect to any partial month or partial calendar year, then the performance participation allocation will

be calculated based on the annualized total return amount determined using the total return achieved for the period of such partial calendar year.

The performance participation allocation will be payable in cash or cash equivalent aggregate NAV amounts of OP Units of a class elected by the Special Limited Partner, provided that the Special Limited Partner may not elect to receive Class F OP Units. A portion of the performance participation allocation earned in the aggregate by the Special Limited Partner will be shared with the Class F Interest holders, which we refer to herein as the Aggregate Class F Percentage Interest. The Special Limited Partner will elect to receive cash with respect to the Aggregate Class F Percentage Interest to be paid to Class F Interest holders. If the Special Limited Partner elects to receive any portion of such distributions in OP Units, the number of OP Units to be issued to the Special Limited Partner will be determined by dividing an amount equal to the value of the portion of the performance participation allocation for which the Special Limited Partner elects to receive OP Units by the NAV per applicable class of OP Unit. The Special Limited Partner may request the Operating Partnership to redeem such OP Units from the Special Limited Partner at a later date. Any such redemption requests will be satisfied prior to redemption requests of limited partners of the Operating Partnership and will not be subject to redemption limits, including any pro rata satisfaction limitations, or to any early redemption deduction. In the event the performance participation allocation is paid in cash to the Special Limited Partner as an allocation and distribution, such amount will not be deductible to the Operating Partnership although it will reduce the cash available for distribution to other OP Unit holders.

For a more comprehensive description of the performance participation allocation and related calculations, see “The Advisor

	and the Advisory Agreement—The Advisory Agreement—Fee and Expense Reimbursements" and "The Operating Partnership Agreement—Special Limited Partner Interest."	
Fees for Other Services—the Advisor and Affiliates of the Advisor	We may retain the Advisor or certain of the Advisor's affiliates, from time to time, for services relating to our investments or our operations, which may include property management services, leasing services, corporate services, statutory services, transaction support services (including but not limited to coordinating with brokers, lawyers, accountants and other advisors, assembling relevant information, conducting financial and market analyses, and coordinating closing procedures), construction and development management, and loan management and servicing, and within one or more such categories, providing services in respect of asset and/or investment administration, accounting, technology, tax preparation, finance (including but not limited to budget preparation and preparation and maintenance of corporate models), treasury, operational coordination, risk management, insurance placement, human resources, legal and compliance, valuation and reporting-related services, as well as services related to mortgage servicing, group purchasing, healthcare, consulting/brokerage, capital markets/credit origination, property, title and/or other types of insurance, management consulting and other similar operational matters. Any fees paid to the Advisor or the Advisor's affiliates for any such services will not reduce the advisory fees. Any such arrangements will be at market rates or reimbursement of costs incurred in providing the services.	Actual amounts depend on whether the Advisor or affiliates of the Advisor are actually engaged to perform such services.

Q: ARE THERE ANY LIMITATIONS ON THE LEVEL OF OWNERSHIP OF OUR SHARES?

A: Beginning on January 29th of the year after the first year for which we elect to be taxed as a REIT for U.S. federal income tax purposes, our charter will restrict the number of shares any one person or group may own. Specifically, our charter will not permit any person or group to own more than

9.8% in value or number of shares, whichever is more restrictive, of our outstanding common stock, and attempts to acquire our common stock in excess of these 9.8% limits would not be effective without an exemption from these limits (prospectively or retroactively) by our board of directors. These limits may be further reduced if our board of directors waives these limits for certain holders. See "Description of Capital Stock—Restrictions on Ownership and Transfer." These restrictions are designed, among other purposes, to enable us to comply with ownership restrictions imposed on REITs by the Code, and may have the effect of preventing a third party from engaging in a business combination or other transaction even if doing so would result in you receiving a "premium" for your shares. See "Risk Factors—Risks Related to This Offering" for additional discussion regarding restrictions on share ownership.

Q: ARE THERE ERISA CONSIDERATIONS IN CONNECTION WITH AN INVESTMENT IN OUR SHARES?

A: The section of this Memorandum captioned "Certain ERISA Considerations" describes the effect that the purchase of shares will have on individual retirement accounts and retirement plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an individual retirement account ("IRA") should consider, at a minimum: (1) whether the investment is in accordance with the documents and instruments governing the IRA, plan or other account; (2) whether the investment satisfies the fiduciary requirements associated with the IRA, plan or other account; (3) whether the investment will generate unrelated business taxable income to the IRA, plan or other account; (4) whether there is sufficient liquidity for that investment under the IRA, plan or other account; (5) the need to value the assets of the IRA, plan or other account annually or more frequently; and (6) whether the investment would constitute a non-exempt prohibited transaction under applicable law. See "Risk Factors—Risks Related to ERISA" and "Certain ERISA Considerations."

Q: ARE THERE ANY INVESTMENT COMPANY ACT OF 1940 CONSIDERATIONS?

A: We intend to conduct the operations of the Company and its subsidiaries so that none of them will be required to register as an investment company under the Investment Company Act.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and that owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, or the "40% test." Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We conduct our businesses primarily through the Operating Partnership, a wholly owned subsidiary, and expect to establish other direct or indirect majority owned subsidiaries to carry out specific activities. Although we reserve the right to modify our business methods at any time, at the time of this offering our business primarily involves investments in real estate, buildings, and other assets that can be referred to as "sticks and bricks" and therefore we will not be an investment

company under Section 3(a)(1)(A) of the Investment Company Act. We also may invest in other real estate investments such as real estate related securities, and will otherwise be considered to be in the real estate business. Both we and the Operating Partnership intend to conduct our operations so that neither will hold investment securities in excess of the limit imposed by the 40% test and neither will be primarily engaged in or hold itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Therefore, we expect that we and the Operating Partnership will not be subject to regulation as an investment company under the Investment Company Act. The securities issued to the Operating Partnership and to the Company by their respective wholly owned or majority owned subsidiaries that are neither investment companies nor relying on Sections 3(c)(1) or 3(c)(7) of the Investment Company Act, as discussed above, will not be investment securities for the purpose of the 40% test.

We may in the future organize special purpose subsidiaries of the Operating Partnership that will rely on Section 3(c)(7) for their Investment Company Act exclusion and, therefore, the Operating Partnership's interest in each of these subsidiaries would constitute an "investment security" for purposes of determining whether the Operating Partnership satisfies the 40% test. However, as stated above, we expect that even in such a situation most of our other majority owned subsidiaries will not meet the definition of investment company or, if they meet the definition, they will not rely on the exclusions under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Consequently, we expect that our interests in these subsidiaries (which we expect will constitute more than 60% of our assets on an unconsolidated basis) will not constitute investment securities, and we expect to be able to conduct our operations so that we are not required to register as an investment company under the Investment Company Act, even if some special purpose subsidiaries do rely on Section 3(c)(7).

One or more of our subsidiaries or subsidiaries of the Operating Partnership may seek to qualify for an exclusion from the definition of investment company under the Investment Company Act pursuant to other provisions of the Investment Company Act, such as Section 3(c)(5)(C) which is available for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion, as interpreted by the staff of the SEC, generally requires that at least 55% of an entity's portfolio be comprised of qualifying interests (i.e. actual interests in real estate and loans or liens actually backed by real estate) and an additional 25% of the entity's portfolio consist of real estate related interests (as such term has been interpreted by the staff of the SEC). We expect our subsidiaries to rely on guidance published by the SEC or the staff of the SEC or on our own analyses of guidance published with respect to other types of assets to determine which assets are qualifying interests and real estate related interests.

In August 2011, the SEC solicited public comment on a wide range of issues relating to Section 3(c)(5)(C), including the nature of the assets that qualify for purposes of the exclusion and whether mortgage REITs should be regulated in a manner similar to investment companies. Although the SEC and its staff have not taken any action as a result of such public comment process, there can be no assurance that the laws and regulations governing the Investment Company Act status of REITs (and/or their subsidiaries), including the guidance of the SEC or its staff regarding this exclusion, will not change in a manner that adversely affects our operations. To the extent that the SEC or its staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. Any additional guidance could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

We will monitor our holdings and those of our subsidiaries to ensure continuing and ongoing compliance with these tests, and we will be responsible for making the determinations and calculations required to confirm our compliance with these tests. If the SEC or its staff does not

agree with our determinations, we may be required to adjust our activities, those of the Operating Partnership, or other subsidiaries.

Qualification for these exclusions could affect our ability to acquire or hold investments, or could require us to dispose of investments that we might prefer to retain in order to remain qualified for such exclusions. Changes in current policies by the SEC and its staff could also require that we alter our business activities for this purpose. If we or our subsidiaries fail to maintain an exclusion from the Investment Company Act, we could, among other things, be required either to (i) change the manner in which we conduct our operations to avoid being required to register as an investment company, (ii) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (iii) register as an investment company, any of which would negatively affect the value of shares of our common stock, the sustainability of our business model, and our ability to make distributions. See "Risk Factors" for a discussion of certain risks associated with the Investment Company Act.

Q: WHEN WILL I GET MY DETAILED TAX INFORMATION?

A: Stockholder tax information is reported on Form 1099. We intend to mail your Form 1099 tax information, if required, by January 31 of each year.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have more questions about this offering or if you would like additional copies of this Memorandum, you should contact your financial adviser or our transfer agent at the following address:

SS&C GIDS, Inc.
PO Box 219349
Kansas City, MO 64121-9349

Overnight Address:
SS&C GIDS, Inc.
430 W 7th St. Suite 219349
Kansas City, MO 64105

Toll-Free Number: 888-479-4008

RISK FACTORS

An investment in our shares of common stock involves a high degree of risk. In addition to the other information included in this Memorandum, you should carefully consider the following risks before deciding whether invest in shares of common stock. You should also read and consider the other information in this Memorandum and the other documents attached hereto and incorporated by reference herein. Some of the statements in this Memorandum, including statements in the following risk factors, constitute forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements."

Risks Related to Investing in this Offering

We have held most of our current investments for only a limited period of time and you will not have the opportunity to evaluate our future investments before we make them, which makes your investment more speculative.

We acquired our initial portfolio of real estate investment through a roll-up transaction in the third quarter of 2023, and therefore, although the Advisor and its affiliates managed our investments prior to the completion of the roll-up transaction, we have held most of our current investments for a limited period of time. Further, we are considered to be a "blind pool," and are not able to provide you with information to assist you in evaluating the merits of any specific properties that we may acquire, except for investments that may be described in one or more supplements to this Memorandum. We will continue to seek to invest substantially all of the future net offering proceeds from this offering, after the payment of fees and expenses, in the acquisition of or investment in interests in properties. However, because you will be unable to evaluate the economic merit of our future investments before we make them, you will have to rely entirely on the ability of our Advisor to select suitable and successful investment opportunities. These factors increase the risk that your investment may not generate returns comparable to other real estate investment alternatives.

The common stock we are offering has not been registered under the Securities Act or state securities laws and are subject to restrictions upon transfer, and there is no public market for our shares. As a result, it will be difficult for you to sell your shares and, if you are able to sell your shares, you are likely to sell them at a substantial discount.

The common stock we are offering with this Memorandum has not been registered under the Securities Act or the securities laws of any state, is being offered and sold in reliance upon exemptions from the registration requirements of the Securities Act and such state securities laws and may not be transferred or resold except as permitted pursuant to registration or applicable exemption under the Securities Act and applicable state securities laws. In addition, the shares are subject to restrictions on transferability and resale designed to protect our status as a REIT. There is no public market for the shares of our common stock and we currently have no obligation or plans to apply for listing on any public securities market. Therefore, redemption of shares of our common stock pursuant to our share redemption program will likely be the only way for you to dispose of your shares. We will redeem shares at a price equal to the transaction price on the last calendar day of the applicable month, and not based on the price at which you initially purchased your shares. We may redeem your shares if you fail to maintain a minimum balance of $2,000 of shares, even if your failure to meet the minimum balance is caused solely by a decline in our NAV. Subject to limited exceptions, holders of our common stock that have not held their shares for at least one year will be eligible for redemption at 95% of the transaction price on the redemption date, which will inure indirectly to the benefit of our remaining stockholders. As a result of this and the fact that our NAV will fluctuate, holders of our common stock may receive less than the price they paid for their shares upon redemption by us. See "Description of Capital Stock—Share Redemption Program."

Our ability to redeem your shares may be limited. In addition, our board of directors may modify or suspend our share redemption program at any time.

Our share redemption program contains significant restrictions and limitations. For example, if holders of our common stock do not hold their shares for a minimum of one year, then they will only be eligible for redemption at 95% of the transaction price on the redemption date. We may redeem fewer shares than have been requested in any particular month to be redeemed under our share redemption program, or none at all, in our discretion at any time. We may redeem fewer shares due to lack of readily available funds because of adverse market conditions beyond our control, the need to maintain liquidity for our operations or because we have determined that investing in real property or other illiquid investments is a better use of our capital than redeeming our shares. In addition, the total amount of aggregate redemptions of Class T, Class S, Class D, Class I, Class C and Class F shares (based on the price at which the shares are redeemed) will be limited for each calendar month to 2% of the aggregate NAV of all classes as of the last calendar day of the previous month and for each calendar quarter will be limited to 5% of the aggregate NAV of all classes of shares as of the last calendar day of the previous calendar quarter. With respect to the limitations described above, (i) provided that the share redemption program has been operating and not suspended for the first month of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for that month will carry over to the second month and (ii) provided that the share redemption program has been operating and not suspended for the first two months of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for those two months will carry over to the third month. In no event will such carry-over capacity permit the redemption of shares with aggregate value (based on the redemption price per share for the month the redemption is effected) in excess of 5% of the combined NAV of all classes of shares as of the last calendar day of the previous calendar quarter. We plan to measure the foregoing redemption allocations and limitations based on net redemptions during any month or quarter, as applicable. The term "net redemptions" means, during the applicable period, the excess of our share redemptions (capital outflows) over the proceeds from the sale of our shares (capital inflows).

The vast majority of our assets will consist of properties which cannot generally be readily liquidated on short notice without impacting our ability to realize full value upon their disposition. Therefore, we may not always have a sufficient amount of cash to immediately satisfy redemption requests. Our board of directors may modify or suspend our share redemption program. In addition, limited partners in our Operating Partnership have different redemption rights with respect to OP Units and are treated differently than our stockholders requesting redemption under our share redemption program. Further, we may invest in real estate-related securities and other securities with the primary goal of maintaining liquidity in support of our share redemption program. Any such investments may result in lower returns than an investment in real estate assets, which could adversely impact our ability to pay distributions and your overall return. Further, if redemption requests, in the business judgment of our board of directors, place an undue burden on our liquidity, adversely affect our operations, risk having an adverse impact on stockholders whose shares are not redeemed, or should we otherwise determine that investing our liquid assets in real properties or other investments rather than repurchasing our shares is in the best interests of the Company as a whole, then our board of directors may make exceptions to, modify or suspend our share redemption program if in its reasonable judgment it deems such action to be in our best interest and the best interest of our stockholders. Although our board of directors has the discretion to suspend our share redemption program, our board of directors will not terminate our share redemption program other than in connection with a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. Our board of directors may determine that it is in our best interests and the interest of our stockholders to suspend the share redemption program as a result of regulatory changes, changes in law, if our board of directors becomes aware of undisclosed material information that it believes should be publicly disclosed before shares are redeemed, a lack of available funds, a determination that redemption requests are having an adverse effect on our operations or

other factors. Upon suspension of our share redemption program, our share redemption program requires our board of directors to consider at least quarterly whether the continued suspension of the program is in our best interest and the best interest of our stockholders; however, we are not required to authorize the re-commencement of the share redemption program within any specified period of time and any suspension may be for an indefinite period, which would be tantamount to a termination. As a result, your ability to have your shares redeemed by us may be limited, our shares should be considered as having only limited liquidity and at times may be illiquid. See "Description of Capital Stock—Share Redemption Program" for more information, including a description of the different limits and caps applicable to our share redemption program.

Our capacity to redeem shares may be further limited if we experience a concentration of investors.

The current limitations of our share redemption program are based, in part, on the number of outstanding shares. Thus, the ability of a single investor, or of a group of investors acting similarly, to redeem all of their shares may be limited if they own a large percentage of our shares. Similarly, if a single investor, or a group of investors acting in concert or independently, owns a large percentage of our shares, a significant redemption request by such investor or investors could significantly further limit our ability to satisfy redemption requests of other investors of such classes. Such concentrations could arise in a variety of circumstances, especially while we have relatively few outstanding shares. For example, we could sell a large number of our shares to one or more institutional investors, either in a public offering or in a private placement. In addition, we may issue a significant number of our shares in connection with an acquisition of another company or a portfolio of properties to a single investor or a group of investors that may request redemption at similar times following the acquisition.

Purchases and redemptions of our common shares will not be made based on the current NAV per share of our common stock.

We are offering shares of our common stock at the transaction price plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. The transaction price generally will be equal to the NAV per share of our common stock most recently disclosed by us, however, we may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the most recently disclosed NAV per share, including by updating a previously disclosed transaction price, in cases where we believe there has been a material change (positive or negative) to our NAV per share relative to the most recently disclosed NAV per share. The transaction price generally will be based on our most recently disclosed monthly NAV of each class of common stock (subject to material changes as described above) and will not be based on any public market. Further, our board of directors may amend our NAV procedures from time to time. For example, if you submit a subscription for shares of our common stock in October, your subscription request must be received in good order at least five business days before November 1. Generally, the offering price per share would equal the transaction price of the applicable class as of the last calendar day of September, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. If accepted, your subscription would be effective on the first business day of November. Conversely, if you wish to submit shares for redemption in October, the redemption request and required documentation must be received in good order by 4:00 p.m. (Eastern time) on the second to last business day of October. If accepted, your shares would be redeemed as of the last calendar day of October and, generally, the redemption price would equal the transaction price of the applicable class as of the last calendar day of September, subject to a 5.0% reduction, for early redemption of shares of our common stock that have not

been outstanding for at least one year. In each of these cases, the NAV that is ultimately determined as of the last day of October may be higher or lower than the NAV as of the last day of September used for determining the transaction price. Therefore, the price at which you purchase shares may be higher than the current NAV per share at the time of sale and the price at which you redeem shares may be lower than the current NAV per share at the time of redemption.

In order to maintain what we deem to be sufficient liquidity for our share redemption program, we may keep more of our assets in securities, cash, cash equivalents and other short-term investments than we would otherwise like, which would affect returns.

In order to provide liquidity for share redemptions, we intend to, subject to any limitations and requirements relating to our intention to qualify as a REIT, maintain a number of sources of liquidity including (i) cash equivalents (e.g. money market funds), other short-term investments, U.S. government securities, agency securities and liquid real estate-related securities and (ii) one or more borrowing facilities. We may fund redemptions from any available source of funds, including operating cash flows, borrowings, proceeds from this offering and/or sales of our assets. This could adversely affect our results of operations, financial condition, NAV and ability to pay distributions to our stockholders.

Economic events that may cause our stockholders to request that we redeem their shares may materially adversely affect our cash flow and our results of operations and financial condition.

Economic events affecting the U.S. economy, such as the general negative performance of the real estate sector, could cause our stockholders to seek to sell their shares to us pursuant to our share redemption program at a time when such events are adversely affecting the performance of our assets. Redemptions are subject to the 2% and 5% limits (as described above) (subject to potential carry-over capacity). Even if we are able to and determine to satisfy all resulting redemption requests, our cash flow could be materially adversely affected. In addition, if we determine to sell assets to satisfy redemption requests, we may not be able to realize the return on such assets that we may have been able to achieve had we sold at a more favorable time, and our results of operations and financial condition, including, without limitation, breadth of our portfolio by property type and location, could be materially adversely affected.

A portion of the proceeds raised in this offering is expected to be used to satisfy redemption requests, and such portion of the proceeds may be substantial.

We currently expect to use a portion of the proceeds from this offering to satisfy redemption requests with respect to our share redemption program and the Operating Partnership's redemption program. Using the proceeds from this offering for redemptions will reduce the net proceeds available to retire debt or acquire additional investments, which may result in reduced liquidity and profitability or restrict our ability to grow our NAV.

This is a "best efforts" offering and if we are unable to raise substantial funds, we will be limited in the number and type of additional investments we may make which could negatively impact an investment in shares of our common stock.

This offering is being made on a "best efforts" basis, whereby the financial intermediaries participating in the offering are only required to use their best efforts to sell shares of our common stock and have no firm commitment or obligation to purchase any of the shares of our common stock. As a result, the amount of proceeds we raise in this offering may be substantially less than the amount we would need to achieve a diversified multifamily portfolio. Our inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, and our financial condition and ability to make distributions could be adversely affected. If we are unable to raise substantially more funds in this offering,

we will be thinly capitalized and will make fewer additional investments in properties. As a result, the likelihood increases that any single investment's poor performance would materially affect our overall investment performance.

Even if we are able to raise substantial funds in this offering, investors in our common stock are subject to the risk that our offering, business and operating plans may change.

Although we presently intend to operate on a perpetual basis, this is not a requirement of our charter. Further, we may in the future consider various liquidity events and, given that our investment strategy is focused on a single asset class, it is possible that an opportunity to execute a liquidity event could arise. Even if we are able to raise substantial funds in this offering, if circumstances change such that our board of directors believes it is in the best interest of our stockholders to terminate this offering or to suspend our share redemption program, in connection with a liquidity event or otherwise, we may do so without stockholder approval. Our board of directors may also change our investment objectives, borrowing policies or other corporate policies without stockholder approval. In addition, we may change the way our fees and expenses are incurred and allocated to different classes of stockholders if the tax rules applicable to REITs would allow us to do so without adverse tax consequences. Our board of directors may decide that a liquidity event or certain other significant transactions that require stockholder approval are in the best interests of our stockholders. Holders of all classes of our common stock have equal voting rights with respect to such matters and will vote as a single group rather than on a class-by-class basis. Accordingly, investors in our common stock are subject to the risk that our offering, business and operating plans may change.

Valuations and appraisals of our properties, real estate-related assets and real estate-related liabilities are estimates of value and may not necessarily correspond to realizable value.

The primary component of our NAV is the value of our investments. The valuation methodologies used to value our properties and certain real estate-related assets involve subjective judgments regarding such factors as comparable sales, rental revenue and operating expense data, known contingencies, the capitalization or discount rate, and projections of future rent and expenses based on appropriate analysis. Additionally, appraisals of our properties are in part based on historical transaction data. As a result, valuations and appraisals of our properties, real estate-related assets and real estate-related liabilities are only estimates of current market value.

Ultimate realization of the value of an asset or liability depends to a great extent on economic and other conditions beyond our control and the control of the Independent Valuation Advisor and other parties involved in the valuation of our assets and liabilities. Further, these valuations may not necessarily represent the price at which an asset or liability would sell, because market prices of assets and liabilities are best determined by negotiation between a willing buyer and seller. As such, the carrying value of an asset may not reflect the price at which the asset could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. In addition, accurate valuations are more difficult to obtain in times of low transaction volume because there are fewer market transactions that can be considered in the context of the appraisal. Valuations used for determining our NAV also are generally made without consideration of the expenses that would be incurred by us in connection with disposing of assets and liabilities. Therefore, the valuations of our properties, our investments in real estate-related assets and our liabilities may not correspond to the timely realizable value upon a sale of those assets and liabilities. In addition, the value of our interest in any joint venture or partnership that is a minority interest or is restricted as to salability or transferability may reflect or be adjusted for a minority or liquidity discount.

In addition to being a month old when share purchases and redemptions take place, our NAV does not currently represent enterprise value and may not accurately reflect the actual prices at which our assets could be liquidated on any given day, the value a third party would pay for all or substantially all of our

shares, or the price that our shares would trade at on a national stock exchange. The stock price of shares of a publicly traded REIT may materially differ from the NAV of a private REIT with comparable portfolios. While any changes in the value of our real estate portfolio will ultimately be reflected in future calculations of NAV, there will be no retroactive adjustment in the valuation of such assets or liabilities, the price of our shares of common stock, the price we paid to redeem shares of our common stock or NAV-based fees we paid to the Advisor to the extent such valuations prove to not accurately reflect the true estimate of value and are not a precise measure of realizable value. Because the price you will pay for shares of our common stock in the offering, and the price at which your shares may be redeemed by us pursuant to our share redemption program, are generally based on our estimated NAV per share, you may pay more than realizable value or receive less than realizable value for your investment.

In order to disclose a monthly NAV, we are reliant on the parties that we engage for that purpose, in particular the Independent Valuation Advisor and the appraisers that we hire to value and appraise our real estate portfolio.

In order to disclose a monthly NAV, our board of directors, including a majority of our independent directors, has adopted valuation procedures that contain a comprehensive set of methodologies to be used in connection with the calculation of our NAV, including the engagement of independent third parties such as the Independent Valuation Advisor, to value our real estate portfolio on a monthly basis, and independent appraisal firms, to provide periodic appraisals with respect to our properties. We may engage other independent third parties or our Advisor to value other assets or liabilities. Although our board of directors, with the assistance of the Advisor, oversees all of these parties and the reasonableness of their work product, we will not independently verify our NAV or the components thereof, such as the appraised values of our properties. Our management's assessment of the market values of our properties may also differ from the appraised values of our properties as determined by the Independent Valuation Advisor. If the parties engaged by us to determine our monthly NAV are unable or unwilling to perform their obligations to us, our NAV could be inaccurate or unavailable, and we could decide to suspend this offering and our share redemption program.

Our NAV is not subject to GAAP, is not independently audited and involves subjective judgments by the Independent Valuation Advisor and other parties involved in valuing our assets and liabilities.

Our valuation procedures and our NAV are not subject to GAAP and are not subject to independent audit. Additionally, we are dependent on the Advisor to be reasonably aware of material events specific to our properties (such as tenant disputes, damage, litigation and environmental issues) that may cause the value of a property to change materially and to promptly notify the Independent Valuation Advisor so that the information may be reflected in our real estate portfolio valuation. In addition, the implementation and coordination of our valuation procedures include certain subjective judgments of our Advisor, such as whether the Independent Valuation Advisor should be notified of events specific to our properties that could affect their valuations, as well as of the Independent Valuation Advisor and other parties we engage, as to whether adjustments to asset and liability valuations are appropriate. Accordingly, you must rely entirely on our board of directors to adopt appropriate valuation procedures and on the Independent Valuation Advisor and other parties we engage in order to arrive at our NAV, which may not correspond to realizable value upon a sale of our assets.

No rule or regulation requires that we calculate our NAV in a certain way, and our board of directors, including a majority of our independent directors, may adopt changes to the valuation procedures.

There are no existing rules or regulatory bodies that specifically govern the manner in which we calculate our NAV. As a result, it is important that our stockholders pay particular attention to the specific methodologies and assumptions we will use to calculate our NAV. Other REITs may use different

methodologies or assumptions to determine their NAV. In addition, each year our board of directors, including a majority of our independent directors, will review the appropriateness of our valuation procedures and may, at any time, adopt changes to the valuation procedures. If we acquire real property assets as a portfolio, we may pay a premium over the amount that we would pay for the assets individually. See "Net Asset Value Calculation and Valuation Procedures" for more details regarding our valuation methodologies, assumptions and procedures.

Our NAV per share may suddenly change if the valuations of our properties materially change from prior valuations or the actual operating results materially differ from what we originally budgeted.

It is possible that the annual appraisals of our properties may not be spread evenly throughout the year and may differ from the most recent monthly valuation. As such, when these appraisals are reflected in our Independent Valuation Advisor's valuation of our real estate portfolio, there may be a sudden change in our NAV per share for each class of our common stock. Property valuation changes can occur for a variety of reasons, such as local real estate market conditions, rotation of different third-party appraisal firms, the financial condition of our tenants, or lease expirations. In addition, actual operating results may differ from what we originally budgeted, which may cause a sudden increase or decrease in the NAV per share amounts. We will accrue estimated revenues and expenses on a monthly basis based on actual leases and expenses in that month. On a periodic basis, we will adjust the revenues and expense accruals we estimated to reflect the revenues and expenses actually earned and incurred. We will not retroactively adjust the NAV per share of each class for any adjustments. Therefore, because actual results from operations may be better or worse than what we previously budgeted, the adjustment to reflect actual operating results may cause the NAV per share for each class of our common stock to increase or decrease.

The NAV per share that we publish may not necessarily reflect changes in our NAV that are not immediately quantifiable.

From time to time, we may experience events with respect to our investments that may have a material impact on our NAV. For example, and not by way of limitation, changes in governmental rules, regulations and fiscal policies, environmental legislation, natural disasters, pandemics, terrorism, war, social unrest, civil disturbances and major disturbances in financial markets may cause the value of a property to change materially. The NAV per share of each class of our common stock as published in any given month may not reflect such extraordinary events to the extent that their financial impact is not immediately quantifiable. As a result, the NAV per share that we publish may not necessarily reflect changes in our NAV that are not immediately quantifiable, and the NAV per share of each class published after the announcement of a material event may differ significantly from our actual NAV per share for such class until such time as the financial impact is quantified and our NAV is appropriately adjusted in accordance with our valuation procedures. The resulting potential disparity in our NAV may inure to the benefit of redeeming stockholders or non-redeeming stockholders and new purchasers of our common stock, depending on whether our published NAV per share for such class is overstated or understated.

The realizable value of specific properties may change before the value is adjusted by the Independent Valuation Advisor and reflected in the calculation of our NAV.

Our valuation procedures generally provide that the Independent Valuation Advisor will adjust a real property's valuation, as necessary, based on known events that have a material impact on the most recent value (adjustments for non-material events may also be made). We are dependent on our Advisor to be reasonably aware of material events specific to our properties (such as lease expirations, tenant disputes, damage, litigation and environmental issues, as well as positive events such as new lease agreements) that may cause the value of a property to change materially and to promptly notify the Independent Valuation Advisor so that the information may be reflected in our real estate portfolio valuation. Events may transpire

that, for a period of time, are unknown to us or the Independent Valuation Advisor that may affect the value of a property, and until such information becomes known and is processed, the value of such asset may differ from the value used to determine our NAV. In addition, although we may have information that suggests a change in value of a property may have occurred, there may be a delay in the resulting change in value being reflected in our NAV until such information is appropriately reviewed, verified and processed. For example, we may receive an unsolicited offer from an unrelated third party to purchase one of our assets at a price that is materially different than the price included in our NAV. Where possible, adjustments generally will be made based on events evidenced by proper final documentation. It is possible that an adjustment to the valuation of a property may occur prior to final documentation if the Independent Valuation Advisor determines that events warrant adjustments to certain assumptions (including probability of occurrence) that materially affect value. However, to the extent that an event has not yet become final based on proper documentation, its impact on the value of the applicable property may not be reflected (or may be only partially reflected) in the calculation of our NAV.

Our NAV and the NAV of your shares may be diluted in connection with this and future securities offerings.

In connection with this offering, we incur fees and expenses, which will decrease the amount of cash we have available for operations and new investments. In addition, because the prices of shares sold in this offering will be based on our monthly NAV per share, this offering may be dilutive if our NAV procedures do not fully capture the value of our shares and/or we do not utilize the proceeds accretively.

In the future we may conduct other offerings of common stock (whether existing or new classes), preferred stock, debt securities or of interests in our Operating Partnership. We may also amend the terms of this offering. We may structure or amend such offerings to attract institutional investors or other sources of capital. The costs of this offering and future offerings may negatively impact our ability to pay distributions and your overall return.

Interest rate changes may cause volatility in our monthly NAV.

In accordance with our valuation procedures, we generally will use the fair value of our assets and liabilities, if any, to determine our monthly NAV. The fair value of certain of our assets and such liabilities may be very sensitive to interest rate changes, such as fixed rate borrowings and interest rate hedges that are not intended to be held to maturity. As a result, changes in projected forward interest rates may cause volatility in our monthly NAV.

You will experience dilution in the net tangible book value of your shares equal to the upfront offering costs associated with your shares.

You will incur immediate dilution equal to any upfront costs of the offering associated with the sale of your shares and organization and offering expenses. This means that investors who purchase our shares of common stock will pay a price per share that exceeds the amount available to us to purchase assets and therefore, the value of these assets upon purchase.

You will not have the benefit of an independent due diligence review in connection with this offering, which increases the risk of your investment.

Because the Advisor is an affiliate of the Sponsor, you will not have the benefit of an independent due diligence review and investigation of the type normally performed by an independent underwriter in connection with a securities offering. This lack of an independent due diligence review and investigation increases the risk of your investment.

The performance participation allocation is calculated on the basis of the overall investment return provided to holders of Fund Interests over a calendar year, so it may not be consistent with the return on your shares.

The performance participation allocation is calculated on the basis of the overall investment return provided to holders of Fund Interests (i.e., our outstanding shares and OP Units held by third parties) in any calendar year and is calculated on a class-specific basis such that the Special Limited Partner, which is a wholly-owned subsidiary of the Advisor, will receive a performance participation allocation equal to the lesser of (1) 12.5% of (a) the annual total return amount for such class of Fund Interests less (b) any loss carryforward for such class of Fund Interests, and (2) the amount equal to (x) the annual total return amount for such class of Fund Interests, less (y) any loss carryforward for such class of Fund Interests, less (z) the Hurdle Amount. Therefore, if the annual total return amount exceeds the Hurdle Amount plus the amount of any loss carryforward for such class of Fund Interests, then the Special Limited Partner will receive a performance participation allocation equal to 100% of such excess, limited to 12.5% of the annual total return amount that is in excess of the loss carryforward. The foregoing calculations are performed based on the weighted-average number of outstanding Fund Interests of the applicable class during the year and the weighted-average total return per Fund Interest of the applicable class. The results of these class-specific calculations of the performance participation allocation for each class of Fund Interests are aggregated and the resulting amount is the performance participation allocation to be distributed. The "annual total return amount" referred to above is calculated on a class-specific basis and means all distributions paid or accrued per Fund Interest of the applicable class (excluding distributions related to the Aggregate Class F Percentage Interest) plus any change in NAV per Fund Interest of such class since the end of the prior calendar year, adjusted to exclude the negative impact on annual total return resulting from our payment or obligation to pay, or distribute, as applicable, the class-specific performance participation allocation. With respect to the first calculation of the performance participation allocation, the initial value of the Class F Fund Interests shall be $25.00 (irrespective of the price at which Class F shares are purchased in this offering). If the performance participation allocation is being calculated with respect to a year in which we complete a liquidity event (if any), for purposes of determining the "annual total return amount," the change in NAV per Fund Interest will be deemed to equal the difference between the NAV per Fund Interest as of the end of the prior calendar year and the value per Fund Interest determined in connection with such liquidity event, as described in "The Advisor and the Advisory Agreement—The Advisory Agreement—Advisory Fee and Expense Reimbursements." The "loss carryforward" referred to above will track any negative annual total return amounts for the applicable class of Fund Interests from prior years and offset the positive annual total return amount for such class of Fund Interests for purposes of the calculation of the performance participation allocation. The loss carryforward was zero as of the effective date of the Advisory Agreement. Therefore, payment of the performance participation allocation (1) is contingent upon the overall return to the holders of at least one class of Fund Interests exceeding the Hurdle Amount plus the amount of any loss carryforward for such class, (2) will vary in amount based on our actual performance and (3) cannot, in and of itself, cause the overall return to the holders of Fund Interests of a specific class for the year to be reduced below 5.0%. In addition, if the performance participation allocation is earned for any given year, the Advisor and the Special Limited Partner will not be obligated to return any portion of the advisory fees based on our subsequent performance. See "The Advisor and the Advisory Agreement—The Advisory Agreement."

As a result of the manner in which the performance participation allocation is calculated, as described above, the performance participation allocation is not directly tied to the performance of the shares you purchase or the time period during which you own your shares. The performance participation allocation may be payable to the Special Limited Partner even if the NAV of your shares at the time the performance participation allocation is calculated is below your offering price, and the thresholds at which increases in NAV count towards the overall return to the holders of Fund Interests are not based on your offering price. Because of the class-specific allocations of certain expenses, we do not expect the overall

return of each class of Fund Interests to ever be the same. Further, stockholders who redeem their shares during a given year may redeem their shares at a lower NAV per share as a result of an accrual for the estimated performance participation allocation, even if no performance participation allocation is ultimately payable to the Special Limited Partner for all or any portion of such calendar year.

The payment of fees and expenses to the Advisor and its affiliates reduces the cash available for distribution and increases the risk that you will not be able to recover the amount of your investment in our shares.

The Advisor performs services for us, including, among other things, the selection and acquisition of our investments, the management of our assets, the disposition of our assets, the financing of our assets and certain administrative services. We pay the Advisor and its affiliates fees and expense reimbursements for these services, which will reduce the amount of cash available for further investments or distribution to our stockholders.

We will be required to pay substantial compensation to the Advisor and its affiliates or related parties, which may be increased or decreased during this offering or future offerings by a majority of our board of directors, including a majority of the independent directors.

Subject to limitations in our charter, the fees, compensation, income, expense reimbursements, interest and other payments that we will be required to pay to the Advisor and its affiliates or related parties may increase or decrease during this offering or future offerings from those described in the "Compensation" section if such change is approved by a majority of our board of directors, including a majority of the independent directors. These payments to the Advisor and its affiliates or related parties will decrease the amount of cash we have available for operations and new investments and could negatively impact our ability to pay distributions and your overall return.

Distributions paid from sources other than our cash flows from operations, particularly from proceeds of this offering, will result in us having fewer funds available to acquire properties, which may adversely affect our ability to fund future distributions with cash flows from operations, may dilute your interest in us, and may adversely affect the value of an investment in our common shares.

If we do not generate sufficient cash flows from operations to fund distributions to our stockholders, we may pay all or a substantial portion of our distributions from the proceeds of this offering or from borrowings, including possible borrowings from the Advisor or its affiliates, the sale of additional securities and our Advisor's deferral, suspension or waiver of its fees and expense reimbursements.

Our board of directors may change our distribution policy, in its sole discretion, at any time, subject to Maryland law. Under Maryland law, we may not make distributions that would: (1) cause us to be unable to pay our debts as they become due in the usual course of business; or (2) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences, if any. Distributions made from offering proceeds are a return of capital to stockholders, from which we will have already paid offering expenses in connection with this offering. We have not established any limit on the amount of proceeds from this offering that may be used to fund distributions, subject to Maryland law.

There is no guarantee that we will pay any particular amount of distributions or continue to pay distributions. If we encounter any delays in locating suitable investments, we may pay all or a substantial portion of our distributions from the proceeds of this offering or from borrowings in anticipation of future cash flow, which may constitute a return of your capital. If we fund distributions from the proceeds of this offering, we will have less funds available to acquire properties. As a result, the return you realize on your investment may be reduced. Funding distributions from borrowings could restrict the amount we can

borrow for investments, which may adversely affect our profitability and cash flow. Funding distributions with proceeds from the sale of assets or the proceeds of this offering may affect our ability to generate cash flows. Funding distributions from the sale of additional securities could dilute your interest in us if we sell our common shares or securities convertible or exercisable into our common shares to third-party investors. Payment of distributions from the mentioned sources could restrict our ability to generate sufficient cash flows from operations, affect our profitability or affect the distributions payable to you upon a liquidity event, any or all of which may have an adverse effect on your investment.

There is very limited liquidity for our shares of common stock. If we do not effect a liquidity event, it will be very difficult for you to have liquidity for your investment in shares of our common stock.

Although we presently intend to operate on a perpetual basis with an ongoing offering and share redemption program, in the future we may also consider various liquidity events and, given that our investment strategy is focused on a single asset class, it is possible that an opportunity to execute a liquidity event could arise. There can be no assurance that we will ever seek to effect, or be successful in effecting, a liquidity event. Our charter does not require us to pursue a liquidity event or any transaction to provide liquidity to our stockholders. If we do not effect a liquidity event, it will be very difficult for you to have liquidity for your investment in shares of our common stock other than limited liquidity through our share redemption program.

The availability and timing of cash distributions to our stockholders is uncertain.

We bear all expenses incurred in our operations, which are deducted from cash funds generated by operations prior to computing the amount of cash from operations available for distributions to our stockholders. Distributions could also be negatively impacted by the failure to deploy available cash on an expeditious basis, the inability to find suitable investments that are not dilutive to distributions, potential poor performance of our investments, an increase in expenses for any reason (including expending funds for redemptions in excess of the proceeds from our distribution reinvestment plan) and due to numerous other factors. Any request by the holders of our OP Units to redeem some or all of their OP Units for cash may also impact the amount of cash available for distribution to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such funds for working capital. There can be no assurance that sufficient cash will be available to make distributions to you or that the amount of distributions will increase and not decrease over time. Should we fail for any reason to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding any net capital gain), we would not qualify for the favorable tax treatment accorded to REITs.

Our board of directors may change our investment policies without stockholder approval, which could alter the nature of your investments.

Our investment policies may change over time. The methods of implementing our investment policies also may vary, as new real estate development trends emerge and new investment techniques are developed. Our investment objectives and strategies, the methods for their implementation, and our other objectives, policies and procedures may be altered by our board of directors without the approval of our stockholders. As a result, the nature of your investment could change without your consent.

We may issue OP Units, shares of common stock or shares of preferred stock with terms that are more advantageous to investors as compared to the Class F common stock and Class C common stock.

Holders of OP Units or common stock do not have preemptive rights to any shares or OP Units issued by us in the future. We may issue OP Units, shares of common stock or shares of preferred stock that have terms that are more advantageous to investors as compared to Class F and Class C shares of

common stock. Holders of Class F OP Units may receive Class C common stock if they participate in the Operating Partnership's distribution reinvestment plan, or upon redemption of their OP Units (if they do not receive cash). At present, we are offering shares of Class F common stock, which will be entitled to a pro rata portion of the Aggregate Class F Percentage Interest, in addition to bearing an asset management fee equal to 0.75% of the aggregate NAV of Class F shares. Class C Interests will bear an asset management fee of 0.75% of the aggregate NAV of Class C Interests, but will not be entitled to a portion of the Special Limited Partner's performance participation allocation. Accordingly, Class F Interests have terms that are more favorable to investors as compared to those of Class C Interests.

If we consummate a public offering, have in excess of 2,000 stockholders or have in excess of 500 non-accredited investors, we will incur significant costs as a result of being a public reporting company.

If we consummate a public offering, have in excess of 2,000 stockholders or have in excess of 500 non-accredited investors, we will be required to register our securities under the Exchange Act, and we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and other rules implemented by the SEC.

Risks Related to Our Real Estate Investments and Our Operations

Unfavorable apartment market and economic conditions could adversely affect occupancy levels, rental revenues and the value of our real estate assets.

Unfavorable market conditions in the areas in which we operate or unfavorable economic conditions generally may significantly affect our occupancy levels, our rental rates and collections, the value of our properties and our ability to acquire or dispose of apartment communities on economically favorable terms. Our ability to lease our properties at favorable rates is adversely affected by increases in supply in the multifamily and other rental markets and is dependent upon the overall level in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, debt levels, housing markets, stock market volatility and uncertainty about the future. Some of our major expenses generally will not decline when related rents decline. It is expected that declines in our occupancy levels and rental revenues would cause us to have less cash available to pay indebtedness and to distribute to our stockholders and OP Unit holders, which could adversely affect our financial condition or the value of its securities. Factors that may affect our occupancy levels, rental revenues, and/or the value of its properties include the following, among others:

- downturns in the global, national, regional and local economic conditions, particularly increases in unemployment;
- declines in mortgage interest rates, making alternative housing more affordable;
- government or builder incentives with respect to home ownership, making alternative housing options more attractive;
- local real estate market conditions, including oversupply of, or reduced demand for, apartment homes;
- declines in the financial condition of tenants, which may make it more difficult for us to collect rents from some tenants;
- changes in market rental rates;

- the ability to renew leases or re-lease space on favorable terms;
- the timing and costs associated with property improvements, repairs or renovations;
- changes in household formation; and
- rent control or stabilization laws, or other laws regulating or impacting rental housing, which could prevent us from raising rents to offset increases in operating costs or otherwise impact us.

The geographic concentration of our portfolio in certain markets could have an adverse effect on our operations if a particular market is adversely impacted by economic or other conditions.

Based on property information available as of June 30, 2023 for the properties which now compromise our portfolio, approximately 34.7% of our total net operating income ("NOI") was generated from communities located in the Midwest. As a result, if any one or more of the states in that regional market is adversely impacted by regional or local economic conditions or real estate market conditions, such conditions may have a greater adverse impact on our results of operations than if our portfolio was more geographically diverse. In addition, if one or more of these markets is adversely affected by changes in regional or local regulations, including those related to rent control or stabilization, such regulations may have a greater adverse impact on our results of operation than if our portfolio was more geographically diverse.

We may be unable to renew leases or relet apartment units as leases expire, or the terms of renewals or new leases may be less favorable than current leases.

When residents decide to leave our apartments, whether because they decide not to renew their leases or they leave prior to their lease expiration date, we may not be able to relet their apartment units. Even if the residents do renew or we can relet the apartment units, the terms of renewal or reletting may be less favorable than current lease terms. Furthermore, because the majority of our apartment leases have initial terms of 12 months or less, our rental revenues are impacted by declines in market rents more quickly than if those leases were for longer terms. If we are unable to promptly renew the leases or relet the apartment units, or if the rental rates upon renewal or reletting are lower than expected rates, then our results of operations and financial condition may be adversely affected. If residents do not experience increases in their income or if they experience decreases in their income or job losses, we may be unable to increase or maintain rent and/or delinquencies may increase.

If we are not able to cost-effectively maximize the life of our properties, we may incur greater than anticipated capital expenditure costs, which may adversely affect our operations.

Older properties may carry certain risks including unanticipated repair costs associated with older properties, increased maintenance costs as older properties continue to age, and cost overruns due to the need for special materials and/or fixtures specific to older properties. Although we intend to take a proactive approach to property preservation, utilizing a preventative maintenance plan, and selective improvements that mitigate the cost impact of maintaining exterior building features and aging building components, if we are not able to cost-effectively maximize the life of our properties, we may incur greater than anticipated capital expenditure costs which may adversely affect our operations.

Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses.

Substantial inflationary or deflationary pressures could have a negative effect on rental rates and property operating expenses. The general risk of inflation is that interest on debt, general and administrative

expenses and other expenses increase at a rate faster than increases in rental rates, which could adversely affect our financial condition or results of operations.

Our expenses may remain constant or increase, even if our revenues decrease, causing our results of operations to be adversely affected.

Costs associated with our business, such as mortgage payments, real estate taxes, insurance premiums and maintenance costs, are relatively inflexible and generally do not decrease, and may increase, when a property is not fully occupied, rental rates decrease, a tenant fails to pay rent or other circumstances cause a reduction in property revenues. As a result, if revenues drop, we may not be able to reduce our expenses accordingly, which would adversely affect our financial condition and results of operations.

We will be subject to certain risks associated with selling apartment communities, which could limit our operational and financial flexibility.

We may dispose of apartment communities that no longer meet our strategic objectives, but adverse market conditions may make it difficult to sell apartment communities we own. We cannot predict whether we will be able to sell any property for the price or on the terms we set, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We will not be able to predict the length of time needed to find a willing purchaser and to close the sale of a property. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold or the purchase price may be reduced to cover any cost of correcting defects or making improvements. These conditions may limit our ability to dispose of properties and to change our portfolio in order to meet our strategic objectives, which could in turn adversely affect our financial condition, results of operations or our ability to fund other activities in which we may want to engage such as the purchase of properties, development or redevelopment. We will also be subject to the following risks in connection with sales of our apartment communities, among others:

- a significant portion of the proceeds from some property sales may be held by intermediaries in order for such sales to qualify as like-kind exchanges under Section 1031 of the Code so that any related capital gain can be deferred for federal income tax purposes. As a result, we may not have immediate access to all of the cash proceeds generated from our property sales; and
- certain U.S. federal income tax rules applicable to REITs will limit our ability to profit on the sale of communities that we have owned for less than two years, and this limitation may prevent us from selling communities when market conditions are favorable.

A taxable sale of the properties acquired through our roll-up transaction would trigger taxable built-in gain to our contributing investors. We may take into account such adverse consequences when determining whether and how to dispose of such properties, which could cause us to forgo opportunities to sell such properties or could impair our ability to utilize cash proceeds from sales of such properties for other purposes such as paying down debt, distributions, or additional investments.

Pursuant to our roll-up transaction, the initial limited partners in the Operating Partnership received OP Units in exchange for a contribution of our initial properties in transactions intended to be non-taxable to such partners. As a result, generally such partners remain responsible for any built-in gain attributable to the properties they contributed at the time of the roll-up. If these properties are subsequently sold in taxable sales, such limited partners may be subject to tax on any such built-in gain recognized on the sale of such properties. As the sole owner of the general partner of the Operating Partnership, we may become subject to liability, from litigation or otherwise, as a result of the disposal of such properties, including in the event an OP unitholder fails to qualify for any desired tax benefits. Although we are not contractually obligated to do so, we may take such potential adverse consequences into account when weighing relevant

factors in determining whether and how to dispose of a property, including whether to sell such property or seek to dispose of the property in a non-taxable like-kind exchange under Section 1031 of the Code. As a result, having acquired properties through our roll-up transaction may result in a determination to delay the sale of such properties (or replacement properties acquired pursuant to Section 1031 exchanges) to generate liquidity. Such reduced liquidity could impair our ability to utilize cash proceeds from sales for other purposes, such as paying down debt, paying distributions, funding redemptions or making additional investments outside of Section 1031 exchanges.

Competition could limit our ability to lease apartment homes or increase or maintain rents or adversely affect our ability to acquire properties.

Our apartment communities will compete with numerous housing alternatives in attracting residents, including other apartment communities, condominiums and single-family rental homes, as well as owner occupied single and multifamily homes. Competitive housing in a particular area could adversely affect our ability to lease apartment units and increase or maintain rents, which could materially adversely affect our results of operations and financial condition.

Other real estate investors, including insurance companies, pension and investment funds, developer partnerships, investment companies and other public and private apartment REITs, will compete with us to acquire existing properties and to develop new properties, and such competition may make it more difficult for us to acquire attractive investment opportunities on favorable terms, which could adversely affect our ability to grow or acquire properties profitably or with attractive returns.

Potential development and construction delays and resultant increased costs and risks may hinder our operating results and decrease our net income.

We may acquire unimproved real property or properties that are under development or construction. Investments in such properties will be subject to the uncertainties associated with the development and construction of real property, including those related to re-zoning land for development, environmental concerns of governmental entities and/or community groups and our builders' ability to build in conformity with plans, specifications, budgeted costs and timetables. If a builder fails to perform, we may resort to legal action to rescind the purchase or the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control. Delays in completing construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. These and other factors can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. We also must rely on rental income and expense projections and estimates of the fair market value of property upon completion of construction when agreeing upon a purchase price at the time we acquire the property. If projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

We may not realize the anticipated benefits of past or future acquisitions, and the failure to integrate acquired communities and new personnel successfully could create inefficiencies.

If presented with attractive opportunities, we intend to selectively acquire, in the future, apartment communities that meet our investment criteria. Our acquisition activities and their success are subject to the following risks, among others:

- we may be unable to obtain financing for acquisitions on favorable terms, including, but not limited to, interest rates, term and/or loan-to-value ratios, or at all, all of which could cause us to delay or even abandon potential acquisitions;

- even if we are able to finance the acquisition, cash flow from the acquisition may be insufficient to meet our required principal and interest payments on the debt used to finance the acquisition;
- even if we enter into an acquisition agreement for an apartment community, we may not complete the acquisition for a variety of reasons after incurring certain acquisition-related costs;
- we may incur significant costs and divert management attention in connection with the evaluation and negotiation of potential acquisitions, including potential acquisitions that we subsequently do not complete;
- when we acquire an apartment community, we may invest additional amounts in it with the intention of increasing profitability, and these additional investments may not produce the anticipated improvements in profitability;
- the expected occupancy rates and rental rates may differ from actual results; and
- we may be unable to quickly and efficiently integrate acquired apartment communities and new personnel into our existing operations, and the failure to successfully integrate such apartment communities or personnel will result in inefficiencies that could materially and adversely affect our expected return on our investments and our overall profitability.

Bankruptcy or defaults of counterparties could adversely affect our performance.

From time to time, we may execute transactions with or receive services from many counterparties, such as general contractors engaged in connection with our development activities, borrowers, or joint venture partners, among others. As a result, bankruptcies or defaults by these counterparties or their subcontractors may result in services not being provided as expected, projects not being completed on time, or on budget, or at all, or contractual obligations to us not being satisfied, or volatility in the financial markets and economic weakness could affect the counterparties' ability to complete transactions with us as intended, both of which could result in disruptions to our operations that may adversely affect our financial condition and results of operations.

We could incur significant insurance costs and some potential losses may not be adequately covered by insurance.

We will have a comprehensive insurance program covering our properties and operating activities with limits of liability, deductibles and self-insured retentions that are believed to be customary within the multifamily industry. It is believed that the policy specifications and insured limits of these policies will be adequate and appropriate. There are, however, certain types of extraordinary losses which may not be adequately covered under our insurance program. In addition, we may sustain losses due to insurance deductibles, self-insured retention, uninsured claims or casualties, or losses in excess of applicable coverage.

If an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Material losses in excess of insurance proceeds may occur in the future. If one or more of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could materially and adversely affect our financial condition and results of operations.

The cost of insuring our apartment communities and our operations is a component of expense. Insurance availability, insurance premiums and the terms and conditions of insurance policies are subject to significant fluctuations and changes, which are generally outside of our control. We will insure our properties and our operations with insurance companies that we believe have a good rating at the time its policies are put into effect. The financial condition of one or more insurance companies that insure us may be negatively impacted, which could result in their inability to pay on future insurance claims. Their inability to pay future claims may have a negative impact on our financial results. In addition, the failure, or exit or partial exit from an insurance market, of one or more insurance companies may affect our ability to obtain insurance coverage in the amounts that we seek, or at all, or increase the costs to renew or replace our insurance policies, or cause us to self-insure a portion of the risk, or increase the cost of insuring properties.

Failure to succeed in new markets may limit our growth.

We may acquire in the future, if opportunities we believe are appropriate arise, apartment communities that are outside of our existing markets. Entering into new markets may expose us to a variety of risks, and we may not be able to operate successfully in new markets. These risks include, among others:

- inability to accurately evaluate local apartment market conditions and local economies;
- inability to hire and retain key personnel;
- lack of familiarity with local governmental and permitting rules and procedures; and
- inability to achieve budgeted financial results.

Potential liability for environmental contamination could result in substantial costs.

Under various federal, state and local environmental laws, as a current or former owner or operator of real estate, we could be required to investigate and remediate the effects of contamination of currently or formerly owned real estate by hazardous or toxic substances, often regardless of our knowledge of or responsibility for the contamination and solely by virtue of our current or former ownership or operation of the real estate. In addition, we could be held liable to a governmental authority or to third parties for property damage and for investigation and clean-up costs incurred in connection with the contamination or we could be required to incur additional costs to change how the property is constructed or operated due to presence of such substances. These costs could be substantial, and in many cases environmental laws create liens in favor of governmental authorities to secure their payment. The presence of such substances or a failure to properly remediate any resulting contamination could materially and adversely affect our ability to borrow against, sell or rent an affected property.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks. Noncompliance with these environmental, health and safety laws could subject us to liability. Changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our financial condition and results of operations.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we will own or operate may contain, or may have contained, asbestos-containing material ("ACM"), or other hazardous substances. Environmental, health and safety laws require that ACM and other hazardous substances be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements.

These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or other hazardous substances or releases of ACM or other hazardous substances into the environment.

Costs or liabilities incurred as a result of environmental or building condition issues may adversely affect our financial condition and results of operations.

Our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or cost for remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation, which could adversely affect our results of operations and cash flow. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others for property damage or personal injury.

Compliance or failure to comply with the Americans with Disabilities Act of 1990 or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act of 1990, as amended (the "ADA") generally requires that public buildings, including our properties, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. Claims may be asserted against us with respect to some of its properties under the ADA. If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations. In addition, if claims arise, we may expend resources and incur costs in investigating and resolving such claims even if the property was in compliance with the law.

Our properties will be subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements and federal, state and local accessibility requirements in addition to those imposed by the ADA. If we fail to comply with these requirements, we could incur fines or private damage awards. It is unclear whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that could adversely affect our financial condition or results of operations.

The adoption of, or changes to, rent control, rent stabilization, eviction, tenants' rights and similar laws and regulations in our markets could have an adverse effect on our results of operations and property values.

Various state and local governments have enacted and may continue to enact rent control, rent stabilization, or limitations, and similar laws and regulations that could limit our ability to raise rents or charge certain fees, including laws or court orders, either of which could have a retroactive effect. For example, in June 2019, the State of New York enacted new rent control regulations known as the Housing Stability and Tenant Protection Act of 2019 and, in October of 2019, the State of California enacted the

Tenant Protection Act of 2019. There has been a recent increase in governments enacting or considering, or being urged to consider, such laws and regulations. Federal, state and local governments or courts also have made, and may make in the future, changes to laws related to allowable fees and rents, eviction and other tenants' rights laws and regulations (including changes in response to COVID-19 and other changes that apply retroactively) that could adversely impact our results of operations and the value of our properties. Laws and regulations regarding rent control, rent stabilization, eviction, tenants' rights, and similar matters, as well as any lawsuits against us arising from such laws and regulations, may limit our ability to charge market rents, limit our ability to increase rents, evict delinquent tenants or change fees, or recover increases in our operating expenses, which could have an adverse effect on our results of operations and the value of our properties.

Compliance with or changes in real estate tax and other laws and regulations could adversely affect our net income and funds from operations and our ability to make distributions to stockholders.

We will be subject to federal, state and local laws, regulations, rules and ordinances at locations where we operate regarding a wide variety of matters that could affect, directly or indirectly, our operations. Generally, we will not directly pass through costs resulting from compliance with or changes in real estate tax laws to residential property tenants. We also will not generally pass through increases in income, service or other taxes to tenants under leases. These costs may adversely affect net operating income and the ability to make distributions to stockholders. Similarly, compliance with or changes in (i) laws increasing the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) laws and regulations regulating housing, such as the ADA and the Fair Housing Amendments Act of 1988, or (iii) employment related laws, may result in significant unanticipated expenditures, which could adversely affect our financial condition and results of operations. In addition, changes in federal and state legislation and regulation on climate change may result in increased capital expenditures to improve the energy efficiency of our existing communities and also may require us to spend more on new development communities without a corresponding increase in revenue.

Damage from catastrophic weather and natural events may have an adverse effect on our business and results of operations.

Our communities will be located in areas that have or in the future may experience catastrophic weather and other natural events from time to time, including mudslides, fires, hurricanes, tornadoes, floods, snow or ice storms, or other severe inclement weather. These adverse weather and natural events could cause damage or losses that may be greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could adversely affect our financial condition and results of operations.

In addition, some of our communities will be located in areas subject to earthquakes, including in the general vicinity of earthquake faults. We cannot assure you that an earthquake would not cause damage or losses greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We may also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could adversely affect our financial condition and results of operations. Insurance coverage for earthquakes can be costly due to limited industry capacity. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in management's view, economically impractical.

The accidental death or injury of persons living in our communities due to fire, natural disasters, other hazards, or acts or omissions of third parties could have an adverse effect on our business and results

of operations. Our insurance coverage may not cover all losses associated with such events, and we may experience difficulty marketing communities where any such events have occurred, which could have an adverse effect on our financial condition and results of operations.

Damage from potential climate change may have an adverse effect on our business and results of operations.

To the extent significant changes in the climate in areas where our communities will be located occur, the areas may experience extreme weather conditions and changes in precipitation and temperature or water levels, all of which could result in physical damage to, and/or a decrease in demand for, our communities located in these areas or communities that are otherwise affected by these changes. Should the impact of such climate changes be material in nature, or occur for lengthy periods of time, our financial condition and results of operations could be adversely affected.

A breach of information technology systems on which we rely could materially and adversely impact our business, financial condition, results of operations and reputation.

We will rely on information technology systems, including the internet and networks and systems and software developed, maintained and controlled by third party vendors and other third parties, to process, transmit and store information and to manage or support our business processes. Third party vendors may collect and hold personally identifiable information and other confidential information of our tenants, prospective tenants and employees. We also will maintain financial and business information regarding ourselves and persons and entities with which we do business on our information technology systems. While we will take steps, and generally require third party vendors to take steps, to protect the security of the information maintained in our and third party vendors' information technology systems, including associate training and testing and the use of commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing of the information, it is possible that we or our third party vendors' security measures will not be able to prevent human error or the systems' or software's improper functioning, or the loss, misappropriation, disclosure or corruption of personally identifiable information or other confidential or sensitive information, including information about our tenants and employees. Cybersecurity breaches, including physical or electronic break-ins, computer viruses, malware, phishing scams, attacks by hackers, breaches due to human error or misconduct, and similar breaches, can create system disruptions, shutdowns or unauthorized access to information maintained on our information technology systems or the information technology systems of our third party vendors or other third parties or otherwise cause disruption or negative impacts to occur to our business and adversely affect our financial condition and results of operations. While we will maintain cyber risk insurance to provide some coverage for certain risks arising out of cybersecurity breaches, there is no assurance that such insurance would cover all or a significant portion of the costs or consequences associated with a cybersecurity breach or other occurrence or that such insurance will continue to be available at rates that are considered reasonable or at all. As the techniques used to obtain unauthorized access to information technology systems become more varied and sophisticated and the occurrence of such breaches becomes more frequent, we and our third-party vendors and other third parties may be unable to adequately anticipate these techniques or breaches or implement appropriate preventative measures. Any failure to prevent cybersecurity breaches and maintain the proper function, security and availability of our or our third party vendors' and other third parties' information technology systems could interrupt our operations, damage our reputation and brand, damage our competitive position, make it difficult for us to attract and retain residents or other tenants, and subject us to liability claims or regulatory penalties that could adversely affect our business, financial condition and results of operations.

Our business and operations would suffer in the event of information technology system failures.

While we plan to maintain system redundancy and disaster recovery plans for our information technology systems, our information technology systems and the information technology systems maintained by our third-party vendors will be vulnerable to damage arising from any number of sources beyond our or our third-party vendors' control, including energy blackouts, natural disasters, terrorism, war, and telecommunication failures. Any failure to maintain proper function and availability of our information technology systems or our third parties' information technology systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could adversely affect our business, financial condition and results of operations.

A failure to keep pace with developments in technology could impair our operations or competitive position.

Our business will demand the use of sophisticated systems, software and technology. These systems, software and technologies must be refined, updated and replaced on a regular basis in order for us to meet our business requirements and our residents' demands and expectations. If we are unable to do so on a timely basis or at a reasonable cost, or fail to do so, our business could suffer. Also, we may not achieve the benefits that we anticipate from any new system, software or technology, and a failure to do so could result in higher than anticipated costs or could adversely affect our results of operation.

Our financial information has not been audited and has not been prepared in accordance with GAAP.

Accounting for public companies in the United States is in accordance with GAAP, which is established by the Financial Accounting Standards Board (the "FASB"), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The historical financial information provided in connection with this Memorandum has not been audited by an independent auditor and was not prepared in accordance with GAAP. Accordingly, it may contain different information or omit information that would have been included had such financial information been audited and prepared in accordance with GAAP. We intend to prepare our financial statements in accordance with GAAP in the future. If our financial statements are audited and/or prepared in accordance with GAAP in the future, such new financial statements and other financial information may contain materially different information from the financial information included in this Memorandum.

Changes in U.S. accounting standards may materially and adversely affect our reported results of operations.

Uncertainties posed by various initiatives of accounting standard-setting by the FASB and the SEC, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that will govern the preparation of our financial statements. These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements.

Regulatory changes and third-party expectations relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, tenants, employees, and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance factors. In addition, there is an increased focus on such matters by various regulatory authorities, including the SEC. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate. The criteria by which companies' corporate responsibility practices are assessed and the regulations applicable thereto

are evolving, which could result in greater expectations of us and cause us to undertake costly initiatives or activities to satisfy such new criteria or regulations. Further, if we elect not to or are unable to satisfy such new criteria, some investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential investors may elect to invest in our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, tenants and other stakeholders or our initiatives are not executed as planned, our reputation and financial results could be adversely affected.

We may acquire co-ownership interests in property that are subject to certain co-ownership agreements which may have an adverse effect on our results of operations, relative to if the co-ownership agreements did not exist.

We may acquire co-ownership interests such as tenancy-in-common interests in property, which are subject to certain co-ownership agreements. Certain of the properties in our portfolio are currently held as tenants-in-common. Any co-ownership agreements may limit our ability to encumber, lease, or dispose of our co-ownership interest. Such agreements could affect our ability to turn our investments into cash and could affect cash available for distributions to you. The co-ownership agreements could also impair our ability to take actions that would otherwise be in the best interest of our stockholders and, therefore, may have an adverse effect on our results of operations, relative to if the co-ownership agreements did not exist.

Actions of joint venture partners could adversely impact our performance.

We may enter, into joint venture partnerships with third parties, including entities that are affiliated with the Advisor. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present with a direct investment in real estate, including, for example:

- The possibility that our venture partner, co-tenant or partner in an investment might become bankrupt or otherwise be unable to meet its capital contribution obligations;
- That such venture partner, co-tenant or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;
- That such venture partner, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- That actions by such venture partner could adversely affect our reputation, negatively impacting our ability to conduct business.

Actions by such a joint venture partner or co-tenant, which generally will be out of our control, might have the result of subjecting the property to liabilities in excess of those contemplated and may have the effect of reducing your returns, particularly if the joint venture agreement provides that the joint venture partner is the managing partner or otherwise maintains a controlling interest that could allow it to take actions contrary to our interests.

Under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached, which might have a negative influence on the joint venture and decrease potential returns to you. In the event that a venture partner has a right of first refusal to buy

out the other partner, it may be unable to finance such a buy-out at that time. For example, certain actions by the joint venture partnership may require joint approval of our affiliated partners, on the one hand, and our joint venture partner, on the other hand. An impasse among the partners could result in a "deadlock event," which could trigger a buy-sell mechanism under the partnership agreement and, under certain circumstances, could lead to a liquidation of all or a portion of the partnership's portfolio. In such circumstances, we may also be subject to the 100% penalty tax on "prohibited transactions." See "Material U.S. Federal Income Tax Considerations—Other Material U.S. Federal Income Tax Considerations Related to Our Taxation as a REIT—Prohibited Transactions." It may also be difficult for us to sell our interest in any such joint venture or partnership or as a co-customer in a particular property. In addition, to the extent that a venture partner or co-customer is an affiliate of the Advisor, certain conflicts of interest will exist. See "Risks Related to Our Relationship with the Advisor and Conflicts of Interest— We may co-invest or joint venture an investment with a Sponsor affiliated entity or related party."

Risks Related to Multifamily Real Estate Related Assets

Any investments in multifamily real estate-related assets will be subject to the risks typically associated with real estate.

Any investments in mortgage, mezzanine or other real estate loans will generally be directly or indirectly secured by a lien on real property (or the equity interests in an entity that owns real property) that, upon the occurrence of a default on the loan, could result in us taking ownership of the entity that owns the real estate. We will not know whether the values of the multifamily apartment communities ultimately indirectly securing our loans will remain at the levels existing on the dates of origination or acquisition of those loans. If the values of the underlying multifamily apartment communities drop, our risk will increase because of the lower value of the security associated with such loans. In this manner, real estate values could impact the values of any loan investments. Therefore, multifamily real estate-related assets will be subject to the risks typically associated with real estate.

Any mortgage loans we acquire or originate and the mortgage loans underlying any mortgage securities we may invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

Commercial real estate loans generally are secured by commercial real estate properties and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property 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, success of tenant businesses, occupancy rates, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty 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, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, fiscal policies and regulations (including environmental legislation), natural disasters, terrorism, social unrest and civil disturbances.

In the event of any default under any mortgage loan we hold, we will bear a risk of loss of principal and accrued interest to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. Foreclosure on a property securing a mortgage loan can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed investment. In the

event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Delays in liquidating defaulted mortgage loans could reduce our investment returns.

If there are defaults under any mortgage loan that we may acquire or originate, we may not be able to repossess and sell the underlying properties quickly. The resulting time delay could reduce the value of our investment in the defaulted mortgage loans. An action to foreclose on a property securing a mortgage loan is regulated by state statutes and regulations and is subject to many of the delays and expenses of other lawsuits if the borrower raises defenses or counterclaims. In the event of default by a borrower, these restrictions, among other factors, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to it on the mortgage loan.

The mezzanine and bridge loans in which we may invest would involve greater risks of loss than loans secured by a first deed of trust or mortgage on property.

We may invest in mezzanine and bridge loans that take the form of subordinated loans secured by a pledge of the ownership interests of either the entity owning (directly or indirectly) the real property or the entity that owns the interest in the entity owning the real property. These types of investments may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

The B-Notes in which we may invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.

We may invest in B-Notes. A B-Note is a mortgage loan typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Notes holders after payment to the A-Note holders. Since each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, under the agreement between the A-Note holders and the B-Note holders, the A-Note holders, whose economic interests may not align with the economic interests of the B-Note holders, typically are empowered to take the lead on loan administration, on decisions whether to enforce or negotiate a work-out of a defaulted or stressed loan, and on pricing and market timing for the sale of foreclosed property. While the B-Note holders can exercise some influence over those decisions through consent rights, the B-Note holders typically lose their consent rights under certain circumstances, including if the liquidation value of the B-Note, based on an appraisal, falls below an agreed threshold. We cannot predict the terms of each B-Note investment. Further, B-Notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties.

We may invest in real estate-related equity, which is subordinate to any indebtedness, but involves different rights.

We may invest in non-controlling equity positions and other real estate-related interests. Preferred equity investments are subordinate to any indebtedness obtained by the entity, but senior to the owners' common equity. These interests are not secured by the underlying real estate, but upon the occurrence of a default, the preferred equity provider has the right to effectuate a change of control in certain circumstances with respect to the ownership of the property. Preferred equity investments typically earn a preferred return rather than interest payments and often have the right for such preferred return to accrue if there is insufficient cash flow to pay currently. The preferred return provided as a term of our preferred equity investments will not be a measure of our investment performance and will not be indicative of distributions that we may provide to investors. It should not be relied on to predict an investor's returns and is subject to the development and performance of the project for which the preferred equity is being provided. Furthermore, the preferred return is only a contractual preference on allocations, and is subordinate to any construction debt and senior preferred equity and there is no guarantee that it will be achieved or paid.

We may invest in the preferred equity of other entities, the management of which may adversely affect its business.

We may invest in the preferred equity of other entities. However, we will not control the management, investment decisions, or operations of these companies. Management of those enterprises may decide to change the nature of their assets, or management may otherwise change in a manner that is not satisfactory to us. We will have no ability to affect these management decisions and may have only limited ability to dispose of its investments.

Risks Related to Our Indebtedness and Financings

We may not be able to access financing sources on attractive terms which could adversely affect our ability to execute our business plan.

We will require significant outside capital to fund and grow our business. Our business may be adversely affected by disruptions in the debt and equity capital markets and institutional lending market, including the lack of access to capital or prohibitively high costs of obtaining or replacing capital. A primary source of liquidity for companies in the real estate industry has been the debt and equity capital markets. Access to the capital markets and other sources of liquidity was severely disrupted during the relatively recent global credit crisis and, despite some recent improvements, the markets could suffer another severe downturn and another liquidity crisis could emerge. Based on the current conditions, it is not known whether any sources of capital will be available to us in the future on terms that are acceptable to us. If we cannot obtain sufficient debt and equity capital on acceptable terms, our business and our ability to operate could be severely impacted.

Insufficient cash flow could affect our debt financing and create refinancing risk.

We will be subject to the risks normally associated with any debt financing, including the risk that our operating income and cash flow will be insufficient to make required payments of principal and interest, could restrict or limit our ability to incur additional debt, or could restrict our borrowing capacity under any line of credit due to debt covenant restraints. Sufficient cash flow may not be available to make all required debt payments and satisfy our requirements to maintain our status as a REIT for U.S. federal income tax purposes. We are also likely to need to refinance substantially all outstanding debt as it matures. We may not be able to refinance such debt, or the terms of any refinancing may not be as favorable as the terms of the existing debt, which could create pressures to sell assets or to issue additional equity when we would

otherwise not choose to do so. In addition, our failure to comply with any debt covenants could result in a requirement to repay our indebtedness prior to maturity, which could have a material adverse effect on our financial condition and cash flow and increase our financing costs and impact our ability to make distributions to stockholders.

Failure to generate sufficient income could impair debt service payments and distributions to stockholders.

If our apartment communities do not generate sufficient revenue to meet rental expenses, our ability to make required payments of interest and principal on any debt securities and to pay distributions to stockholders will be adversely affected. The following factors, among others, may affect the income generated by our apartment communities:

- the national and local economies;
- local real estate market conditions, such as an oversupply of apartment homes;
- tenants' perceptions of the safety, convenience, and attractiveness of our communities and the neighborhoods where they are located;
- our ability to provide adequate management, maintenance and insurance;
- rental expenses, including real estate taxes and utilities;
- competition from other apartment communities;
- changes in interest rates and the availability of financing;
- changes in governmental regulations and the related costs of compliance; and
- changes in tax and housing laws, including the enactment of rent control laws or other laws regulating multifamily housing.

Expenses associated with our investment in an apartment community, such as debt service, real estate taxes, insurance and maintenance costs, will generally not be reduced when circumstances cause a reduction in revenue from that community. If a community is mortgaged to secure payment of debt and we are unable to make the mortgage payments, we could sustain a loss as a result of foreclosure on the community or the exercise of other remedies by the mortgage holder.

Changing interest rates could increase interest costs and adversely affect our cash flow.

We currently have, and we expect to incur in the future, interest-bearing debt at rates that vary with market interest rates. As of June 30, 2023, the properties which now compromise our portfolio secured approximately $37,687,000 of variable rate indebtedness outstanding, which constituted approximately 9.07% of total outstanding indebtedness secured by the properties in our initial portfolio as of such date. An increase in interest rates would increase our interest expenses and increase the costs of refinancing existing indebtedness and of issuing new debt. Accordingly, higher interest rates could adversely affect cash flow and our ability to service our debt and to make distributions to stockholders. The effect of prolonged interest rate increases could negatively impact our ability to make acquisitions and develop properties.

We may experience certain adverse consequences under loan and security agreements if the Advisor is replaced, Mr. Fisk ceases to own an interest in us or in the Operating Partnership, or Mr. Fisk is no longer a member of our board of directors.

Several of our subsidiaries' loan and security agreements contain restrictions or prohibitions related to the transfer of an interest in the subsidiary borrowers. In the case of several of our subsidiaries, a transfer will have been deemed to occur if (i) the Advisory Agreement with the Advisor is terminated and the Advisor is replaced by an alternative external advisor (unless such alternative advisor is approved by the applicable lender), (ii) Mr. Fisk ceases to control and directly or indirectly own the Advisor, (iii) Mr. Fisk ceases to hold an interest in us or in the Operating Partnership or (iv) Mr. Fisk ceases to be a member of our board of directors. If a transfer has been deemed to occur, the lenders may require payment of a significant fee. Our board of directors may consider these potential adverse consequences when evaluating the Advisor's performance and determining whether to renew the term of the Advisory Agreement, as well as when they are determining whether to recommend Mr. Fisk for re-election as a director or considering whether to remove Mr. Fisk from the board of directors. This could result in the continued engagement of our Advisor when our board of directors would otherwise discontinue the relationship and/or the retention or recommendation for re-election of Mr. Fisk as a director even if he is not performing in accordance with the standards expected of members of our board of directors. Additionally, Mr. Fisk's continued ownership and control of the Advisor, continued ownership of interests in us and/or the Operating Partnership and continued service on the board of directors are not wholly within our control. These circumstances could adversely affect our performance.

The phase-out of London Interbank Offered Rate ("LIBOR") and transition to an alternative benchmark interest rate could have adverse effects.

The administrator of LIBOR ceased the publication of the one week and two month LIBOR settings immediately following the LIBOR publication on December 31, 2021, and intends to cease the publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The Alternative Reference Rate Committee has identified the Secured Overnight Financing Rate ("SOFR") as the preferred alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, published by the Federal Reserve Bank of New York. It is expected that new contracts will not reference LIBOR and will instead use SOFR or other alternative reference rates. Due to the broad use of LIBOR as a reference rate, all financial market participants, including us, are impacted by the risks associated with this transition and therefore it could adversely affect our operations and cash flows.

Our debt level may be increased.

We may increase the amount of our debt at any time without a concurrent improvement in our ability to service the additional debt.

Financing may not be available and could be dilutive.

Our ability to execute our business strategy will depend on our access to an appropriate blend of debt financing, including unsecured lines of credit, construction loans and other forms of secured debt, unsecured debt and equity financing, including common and preferred equity. Companies in the real estate industry have experienced limited availability of financing from time to time, including due to regulatory changes directly or indirectly affecting financing markets, for example the changes in terms on construction loans brought about by the Basel III capital requirements and the associated "High Volatility Commercial Real Estate" designation, which has adversely impacted the availability of loans, including construction loans, and the proceeds of and the interest rate thereon. Restricted lending practices could impact our ability

to obtain financing or refinancing for our properties. If we issue additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of stockholders could be diluted.

Disruptions in financial markets may adversely impact availability and cost of credit and have other adverse effects on us.

Our ability to make scheduled payments on, or to refinance, our debt obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. The global equity and credit markets have experienced in the past, and may experience in the future, periods of extraordinary turmoil and volatility. These circumstances may materially and adversely impact liquidity in the financial markets at times, making terms for certain financings less attractive or in some cases unavailable. Disruptions and uncertainty in the equity and credit markets may negatively impact our ability to refinance existing indebtedness and access additional financing for acquisitions, development of our properties and other purposes at reasonable terms or at all, which may negatively affect our business. We will also rely on the financial institutions that may be parties to a revolving credit facility, if established, and other credit facilities. If these institutions become capital constrained, tighten their lending standards or become insolvent or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, they may be unable or unwilling to honor any funding commitments to us, which would adversely affect our ability to draw on any revolving credit facility. If we are not successful in refinancing existing indebtedness when it becomes due, we may be forced to dispose of properties on disadvantageous terms, which might adversely affect our ability to service other debt and to meet other obligations. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly.

A change in U.S. government policy or support regarding Fannie Mae or Freddie Mac could have a material adverse impact on our business.

Fannie Mae and Freddie Mac are a major source of financing to participants in the multifamily housing market including potential purchasers of our properties. Potential options for the future of agency mortgage financing in the U.S. have been, and may in the future be, suggested that could involve a reduction in the amount of financing Fannie Mae and Freddie Mac are able to provide, limitations on the loans that the agencies may make, which may not include loans secured by properties like our properties, or the phase out of Fannie Mae and Freddie Mac. While it is believed that Fannie Mae and Freddie Mac will continue to provide liquidity to our sector, should they discontinue doing so, have their mandates changed or reduced or be disbanded or reorganized by the government, or if there is reduced government support for multifamily housing generally, it may adversely affect interest rates, capital availability, development of multifamily communities and the value of multifamily residential real estate and, as a result, may adversely affect our business and results of operations.

Interest rate hedging contracts may be ineffective and may result in material charges.

From time to time when we anticipate issuing debt securities, we may seek to limit our exposure to fluctuations in interest rates during the period prior to the pricing of the securities by entering into interest rate hedging contracts. We may do this to increase the predictability of our financing costs. Also, from time to time we may rely on interest rate hedging contracts to limit our exposure under variable rate debt to unfavorable changes in market interest rates. If the terms of new debt securities are not within the parameters of, or market interest rates fall below that which we incur under a particular interest rate hedging contract, the contract is ineffective. Furthermore, the settlement of interest rate hedging contracts may in the future involve material charges. In addition, our potential use of interest rate hedging arrangements may expose us to additional risks, including a risk that a counterparty to a hedging arrangement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely

insulate us from risks associated with interest rate fluctuations. There can be no assurance that any hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of these hedging agreements typically involves costs, such as transaction fees or breakage costs.

Risks Related to Our Corporate Structure

Our board of directors have adopted and may, in the future, adopt certain measures under Maryland law without stockholder approval that may have the effect of making it less likely that a stockholder would receive a "control premium" for his or her shares.

Corporations organized under Maryland law that have at least three independent directors are permitted to elect to be subject, by a charter or bylaw provision or a resolution of its board of directors and notwithstanding any contrary charter or bylaw provision, to any or all of five provisions:

- staggering the board of directors into three classes;
- requiring a two-thirds vote of stockholders to remove directors;
- providing that only the board of directors can fix the size of the board;
- providing that all vacancies on the board, regardless of how the vacancy was created, may be filled only by the affirmative vote of a majority of the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- providing for a majority requirement for the calling by stockholders of a special meeting of stockholders.

These provisions may discourage an extraordinary transaction, such as a merger, tender offer or sale of all or substantially all of our assets, all of which might provide a premium price for stockholders' shares. In our bylaws, vacancies on the board of directors are filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through other provisions in the charter and bylaws, we vest in our board of directors the exclusive power to fix the number of directorships, provided that the number is not less than the minimum number permitted by the Maryland General Corporation Law (the "MGCL") (or, following the commencement of an initial public offering by us, three). We are not subject to any of the other provisions described above, but our charter does not prohibit our board of directors from opting into any of these provisions in the future.

Further, under the Maryland Business Combination Act, we may not engage in any merger or other business combination with an "interested stockholder" (which is defined as (1) any person who beneficially owns, directly or indirectly, 10% or more of the voting power of outstanding voting stock and (2) an affiliate or associate of us who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of then outstanding stock) or any affiliate of that interested stockholder for a period of five years after the most recent date on which the interested stockholder became an interested stockholder. A person is not an interested stockholder if the board of directors approved, in advance, the transaction by which he would otherwise have become an interested stockholder. In approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms or conditions determined by the board of directors. After the five-year period ends, any merger or other business combination with the interested stockholder or any affiliate of the interested stockholder must be recommended by the board of directors and approved by the affirmative vote of at least:

- 80% of all votes entitled to be cast by holders of outstanding shares of voting stock; and

- two-thirds of all of the votes entitled to be cast by holders of outstanding shares of voting stock other than those shares owned or held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These supermajority voting provisions do not apply if, among other things, the stockholders receive a minimum price (as defined in the MGCL) for their common stock and the consideration is received in cash or in the same form as previously paid by the interested stockholder.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time the interested stockholder becomes an interested stockholder.

Certain provisions in the OP Agreement may delay, defer or prevent an unsolicited acquisition of us or a change of control.

Provisions in the OP Agreement may delay, defer or prevent an unsolicited acquisition of us or a change of control. These provisions include, among others:

- redemption rights of qualifying parties;
- transfer restrictions on the OP Units;
- FMREIT GP's ability, as general partner, in some cases, to amend the OP Agreement without the consent of the limited partners; and
- the right of the limited partners to consent to transfers of OP Units and mergers under specified circumstances.

These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or a change of control, although some stockholders might consider such proposals, if made, desirable. Our charter, bylaws and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control of us that might involve a premium price for common stock or that stockholders otherwise might believe to be in their best interests.

Our UPREIT structure may result in potential conflicts of interest with limited partners in the Operating Partnership whose interests may not be aligned with those of our stockholders.

OP Unit holders will have the limited right to vote on certain amendments to the OP Agreement as well as on extraordinary transactions involving us. Persons holding such voting rights may exercise them in a manner that conflicts with our stockholders' interests. In addition, conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and the Operating Partnership or any partner thereof, on the other hand. Our directors and officers have duties to us and our stockholders under Maryland law in connection with their management of us.

Maryland law and our organizational documents limit stockholders' rights to bring claims against officers and directors.

Maryland law provides that a director will not have any liability as a director so long as he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter provides that, subject to the applicable limitations set forth therein or under

Maryland law, no director or officer will be liable to us or the stockholders for monetary damages. The charter also provides that we will generally indemnify and advance expenses to our directors, our officers, the Advisor and its affiliates for losses they may incur by reason of their service in those capacities unless their act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, they actually received an improper personal benefit in money, property or services or, in the case of any criminal proceeding, they had reasonable cause to believe the act or omission was unlawful. Moreover, we have entered into separate indemnification agreements with each of our officers and directors. As a result, we and our stockholders have more limited rights against these persons than might otherwise exist under common law.

In addition, we are obligated to fund the defense costs incurred by these persons in some cases. However, our charter provides that we may not indemnify the directors, the Advisor and its affiliates for any liability or loss suffered by them or hold the directors, the Advisor and its affiliates harmless for any liability or loss suffered by us unless they have determined that the course of conduct that caused the loss or liability was in our best interests, they were acting on our behalf or performing services for us, the liability or loss was not the result of negligence or misconduct by non-independent directors, the Advisor and its affiliates or gross negligence or willful misconduct by independent directors, and the indemnification or agreement to hold harmless is recoverable only out of our net assets or the proceeds of insurance and not from stockholders.

The limit on the percentage of shares of common stock that any person may own may discourage a takeover or business combination that could benefit stockholders.

Beginning on January 29th of the year after the first year for which we elect to be taxed as a REIT for U.S. federal income tax purposes, our charter will restrict the direct or indirect ownership by one person or entity to no more than 9.8% of the value of then outstanding capital stock (which includes common stock and any preferred stock we may issue) and no more than 9.8% of the value or number of shares, whichever is more restrictive, of then outstanding common stock. This restriction may discourage a change of control of us and may deter individuals or entities from making tender offers for shares of common stock on terms that might be financially attractive to stockholders or which may cause a change in our management. This ownership restriction may also prohibit business combinations that would have otherwise been approved by the board of directors and the stockholders. In addition to deterring potential transactions that may be favorable to the stockholders, these provisions may also decrease the stockholders' ability to sell their shares of common stock.

Maryland law and our organizational documents limit stockholders' ability to amend our charter or terminate us without the approval of the board of directors.

We are required to comply with the MGCL, which provides that any amendment to our charter or our termination must first be declared advisable by the board of directors. Therefore, our charter provides that stockholders may vote to authorize the amendment of the charter or our termination, but only after such action has been declared advisable by the board of directors. Accordingly, the only proposals to amend our charter or to terminate us that will be presented to the stockholders will be those that have been declared advisable by the board of directors.

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 stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland shall be the sole and exclusive forum for certain types of actions and proceedings that may be initiated by stockholders with respect to us, our directors, our officers or our employees (note that we currently have no employees). This choice of forum provision will not apply to claims arising under the Securities Act or the Exchange Act. Similarly, this provision will not apply to actions arising out of, or in connection with, the sale of our stock in, or the violation of the laws of, the states and the U.S. territories and districts in which such shares of stock are sold. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder believes is favorable for disputes with us or our directors, officers or employees, which may discourage meritorious claims from being asserted against us and our directors, officers and employees. Alternatively, if a court were to find this provision of our charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. We adopted this provision because we believe it makes it less likely that we will be forced to incur the expense of defending duplicative actions in multiple forums and less likely that plaintiffs' attorneys will be able to employ such litigation to coerce us into otherwise unjustified settlements, and we believe the risk of a court declining to enforce this provision is remote, as the General Assembly of Maryland has specifically amended the MGCL to authorize the adoption of such provisions.

Risks Related to Our Relationship with the Advisor and Conflicts of Interest

We will depend on the Advisor to select our investments and otherwise conduct our business, and any material adverse change in the Advisor's financial condition or our relationship with the Advisor could have a material adverse effect on our business and ability to achieve our investment objectives.

Our success will be dependent upon our relationship with, and the performance of, the Advisor in the acquisition and management of our investment portfolio and corporate operations, as well as the persons and firms the Advisor will retain to provide services on our behalf. The Advisor may suffer or become distracted by adverse financial or operational problems in connection with its or the Sponsor's business and activities unrelated to us and over which we have no control. Should the Advisor fail to allocate sufficient resources to perform its responsibilities to us for any reason, we may be unable to achieve our investment objectives or to pay distributions to stockholders.

The Advisor's inability to retain the services of key real estate professionals could hurt our performance.

The Advisor's power to approve the acquisition of a particular investment, finance or refinance any new or existing investment or dispose of an existing investment will rest with investment committees or particular professionals employed by the Advisor, depending on the size and type of the investment. Accordingly, our success will depend to a significant degree upon the contributions of certain key professionals employed by the Advisor, each of whom would be difficult to replace. There is ever increasing competition among alternative asset firms, financial institutions, private equity firms, investment advisors, investment managers, real estate investment companies, REITs and other industry participants for hiring and retaining qualified investment professionals and there can be no assurance that such professionals will continue to be associated with us or the Advisor, particularly in light of our perpetual-life nature, or that replacements will perform well. Neither we nor the Advisor will have employment agreements with these individuals and they may not remain associated with us. If any of these persons were to cease their association with us, our operating results could suffer. Our future success depends, in large part, upon the

Advisor's ability to attract and retain highly skilled managerial, operational and marketing professionals. If the Advisor loses or is unable to obtain the services of highly skilled professionals, our ability to implement our investment strategies could be delayed or hindered.

Various potential and actual conflicts of interest will arise, and these conflicts may not be identified or resolved in a manner favorable to us.

FMREIT Advisors will have conflicts of interest, or conflicting loyalties, as a result of the numerous activities and relationships of, us, the Advisor and the affiliates, partners, members, stockholders, officers, directors and employees of the foregoing, some of which are described herein. However, not all potential, apparent and actual conflicts of interest are included herein, and additional conflicts of interest could arise as a result of new activities, transactions or relationships commenced in the future. If any matter arises that we and our affiliates (including the Advisor) determine in our good faith judgment constitutes an actual and material conflict of interest, we and our affiliates (including the Advisor) will take such actions as it determines appropriate to mitigate the conflict. Transactions between us and FMREIT Advisors or its affiliates will require approval by our board of directors, including a majority of independent directors. There can be no assurance that our board of directors or FMREIT Advisors will identify or resolve all conflicts of interest in a manner that is favorable to us.

The Advisor will face a conflict of interest because the fees it will receive for services performed are based in part on our NAV, and the Advisor will participate in the process for determining the NAV.

The Advisor will be paid a management fee for its services based on our NAV. The Advisor will assist the board of directors in developing, overseeing, implementing and coordinating our NAV procedures. It will assist the Independent Valuation Advisor in valuing our real property portfolio by providing the firm with property-level information, including (i) historical and projected revenues and expenses of the property and (ii) lease agreements on and/or a rent roll for the property. The Independent Valuation Advisor will assume and rely upon the accuracy and completeness of all such information, will not undertake any duty or responsibility to verify independently any of such information and will rely upon us and the Advisor to advise if any material information previously provided becomes inaccurate or was required to be updated during the period of its review. In addition, the Advisor may have some discretion with respect to valuations of certain assets and liabilities, which could affect our NAV. Because the Advisor will be paid certain fees for its services based on our NAV, the Advisor could be motivated to influence our NAV and NAV procedures such that they result in a NAV exceeding realizable value, due to the impact of higher valuations on the compensation to be received by the Advisor. If our NAV is calculated in a way that is not reflective of our actual NAV, then the transaction price for shares of common stock on a given date may not accurately reflect the value of our portfolio, and stockholder's shares may be worth less than the transaction price.

The Advisor's management fee and the Special Limited Partner performance participation allocation may not create proper incentives or may induce the Advisor and its affiliates to make certain investments, including speculative investments, that increase the risk of our investment portfolio.

We will pay the Advisor a management fee regardless of the performance of our portfolio. The Advisor's entitlement to a management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. We would be required to pay the Advisor a management fee in a particular period even if we experienced a net loss or a decline in the value of our portfolio during that period.

The Advisor and the Special Limited Partner are both, direct or indirect, wholly owned subsidiaries of the Sponsor. Therefore, the existence of the Special Limited Partner's 12.5% performance participation allocation in the Operating Partnership, which is based on our total distributions plus the change in NAV

per share, may create an incentive for the Advisor to make riskier or more speculative investments on our behalf or cause us to use more leverage than we would otherwise make in the absence of such performance-based compensation. In addition, the change in NAV per share will be based on the value of our investments on the applicable measurement dates and not on realized gains or losses. As a result, the performance participation allocation may be distributed based on unrealized gains in certain assets at the time of such distributions and such gains may not be realized when those assets are eventually disposed of. Except in limited circumstances, the Special Limited Partner will not be obligated to return any portion of performance participation allocation due to the subsequent negative performance.

Because the management fee and performance participation will be based on our NAV, the Advisor may also be motivated to accelerate acquisitions in order to increase NAV, which would increase amounts payable to the Advisor and the Special Limited Partner, but may make it more difficult for us to efficiently deploy new capital. In addition, we will be required to reimburse the Advisor or its affiliates for documented costs and expenses incurred by it and its affiliates on our behalf, except those specifically required to be borne by the Advisor under the Advisory Agreement. Accordingly, to the extent that the Advisor retains other parties to provide services to us, expenses allocable to us will increase.

The Advisor's personnel work on other projects and conflicts may arise in the allocation of personnel between us and other projects.

The Advisor and its affiliates will devote such time as they determine to be necessary to conduct our business affairs in an appropriate manner. However, the Advisor's personnel will work on other projects, serve on other committees (including boards of directors) and source potential investments for and otherwise assist the investment programs of other entities advised or sponsored by the Sponsor, including other investment programs to be developed in the future. Time spent on these other initiatives diverts attention from our activities, which could negatively impact us. Furthermore, the Advisor's personnel derive financial benefit from these other activities, including fees and performance-based compensation. Some or all of the Sponsor's personnel may share in the fees and performance-based compensation generated by its other programs and accounts. These and other factors create conflicts of interest in the allocation of time by such personnel.

We may source, sell and/or purchase assets either to or from the Advisor and its affiliates or issued by affiliates of the Advisor, and such transactions may cause conflicts of interest.

We may directly or indirectly source, sell and/or purchase all or any portion of an asset (or portfolio of assets/investments) to or from the Advisor and its affiliates or their respective related parties, including parties which such affiliates or related parties own or have invested in. Such transactions will be subject to the approval of a majority of our board of directors (including a majority of independent directors) not otherwise interested in the transaction. We may also source, sell to and/or purchase from third parties interests in or assets issued by affiliates of the Advisor or their respective related parties and such transactions would not require approval by the independent directors or an offset of any fees we otherwise owe to the Advisor or its affiliates. The transactions referred to in this paragraph involve conflicts of interest, as the Advisor and its affiliates may receive fees and other benefits, directly or indirectly, from or otherwise have interests in both parties to the transaction.

The Advisor will be subject to extensive regulation as an investment adviser, which could adversely affect its ability to manage our business.

The Advisor will be subject to regulation as an investment adviser by various regulatory authorities that are charged with protecting the interests of its clients, including us. Instances of criminal activity and fraud by participants in the investment management industry and disclosures of trading and other abuses

by participants in the financial services industry have led the United States Government and regulators to increase the rules and regulations governing, and oversight of, the United States financial system. This activity resulted in changes to the laws and regulations governing the investment management industry and more aggressive enforcement of the existing laws and regulations. The Advisor could be subject to civil liability, criminal liability, or sanction, including revocation of its registration as an investment adviser, revocation of the licenses of its employees, censures, fines, or temporary suspension or permanent bar from conducting business, if it is found to have violated any of these laws or regulations. Any such liability or sanction could adversely affect the Advisor's ability to manage our business. The Advisor must continually address conflicts between its interests and those of its clients, including ours. In addition, the SEC and other regulators have increased their scrutiny of potential conflicts of interest. The Advisor will have procedures and controls that are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex and difficult and if the Advisor fails, or appears to fail, to deal appropriately with conflicts of interest, it could face litigation or regulatory proceedings or penalties, any of which could adversely affect its ability to manage our business.

We may co-invest or joint venture an investment with a Sponsor affiliated entity or related party.

We may enter into joint ventures, co-investment or other arrangements with affiliates of the Sponsor or entities sponsored or advised by affiliates of the Sponsor to acquire, develop and/or manage property, debt and other investments. Such investments may raise potential conflicts of interest between us and such other investment vehicles managed by the Advisor or its affiliates, including determining which of such entities should enter into any particular joint venture, co-investment or other arrangement agreement. Joint venture, co-investment or other arrangement partners affiliated with the Advisor or sponsored or advised by affiliates of the Sponsor may have economic or business interests or goals which are or that may become inconsistent with our business interests or goals. In addition, should any such joint venture, co-investment or other arrangement be consummated, the Advisor and its affiliates may face a conflict in structuring the terms of the relationship between our interests and the interests of other parties, in managing the joint venture, co-investment or other arrangement, and in resolving any conflicts or exercising any rights in connection with the joint venture, co-investment or other arrangement. Since the Advisor will make various decisions on our behalf, agreements and transactions between us and the Advisor's affiliates or entities sponsored or advised by affiliates of the Sponsor will not have the benefit of arm's-length negotiations of the type normally conducted between unrelated parties. Furthermore, when such other investment vehicles managed by the Advisor or its affiliates have interests or requirements that do not align with our interests, including differing liquidity needs or desired investment horizons, conflicts may arise in the manner in which any voting or control rights are exercised with respect to the relevant investment, potentially resulting in an adverse impact on us. We may enter into joint ventures with affiliates of the Sponsor or entities sponsored or advised by affiliates of the Sponsor for the acquisition of investments, but only if (i) a majority of the board of directors not otherwise interested in the transaction, including a majority of the independent directors, approve the transaction as being fair and reasonable and (ii) the investment by us and such affiliate are on terms and conditions that are no less favorable than those that would be available to unaffiliated parties.

With respect to any joint venture, we may enter into an advisory or sub-advisory agreement with an affiliate of the Advisor. We may also enter into arrangements with the Advisor in which the Advisor receives fees (directly or indirectly, including through any of our subsidiaries) from the joint venture entity or from the joint venture partner. Fees received from joint venture entities or partners and paid, directly or indirectly (including without limitation, through us or any of our subsidiaries), to the Advisor may be more or less than similar fees that we will pay to the Advisor pursuant to the Advisory Agreement.

In addition, the Advisor may, with respect to any investment in which we are a participant, also render advice and service to others in that investment and earn fees for rendering such advice and service.

Specifically, it is contemplated that we may enter into joint venture or other similar co-investment arrangements with certain individuals, corporations, partnerships, trusts, joint ventures, limited liability companies or other entities, with respect to which the Advisor or one of its affiliates may be engaged to provide advice and service to such individuals, corporations, partnerships, trusts, joint ventures, limited liability companies or other entities. The Advisor or its affiliate will earn fees for rendering such advice and service pursuant to the agreements governing such joint ventures or arrangements.

If we invest in joint ventures or co-ownership arrangements with the Advisor or its affiliates, they may retain significant control over our investments even if our independent directors terminate the Advisor.

While a majority of our independent directors may terminate the Advisory Agreement upon 60 days' written notice, our ability to remove co-general partners or advisors to any entities in which the Advisor or its affiliates serve in such capacities and in which we may serve as general partner or manager is limited. As a result, if we invest in such joint-ventures or co-ownership arrangements, an affiliate of the Advisor may continue to maintain a substantial degree of control over our investments despite the termination of the Advisor.

Risks Related to Tax Laws

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

We intend to elect to be taxed as a REIT commencing with our taxable year ending December 31, 2023. We intend to operate in a manner that would allow us to qualify as a REIT. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We have structured and intend to continue structuring our activities in a manner designed to satisfy all requirements for qualification as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited, and it is possible our REIT status may terminate inadvertently. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a REIT or the U.S. federal income tax consequences of that qualification.

If we were to fail to qualify as a REIT for any taxable year, we would be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year in which we lose our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer be deductible in computing our taxable income and we would no longer be required to make distributions. However, any distributions made would be subject to the favorable tax rate applied to "qualified dividend income." To the extent that distributions had been made in anticipation of our qualifying as a REIT, we might be required to borrow funds or liquidate some investments in order to pay the applicable corporate income tax. In addition, although we intend to operate in such a manner as to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to determine that it is no longer in our best interest to continue to be qualified as a REIT and recommend that we revoke our REIT election.

If the Operating Partnership is classified as a "publicly traded partnership" under the Code, we may fail to qualify as a REIT and our operations and our ability to pay distributions to you could be adversely affected.

We believe that the Operating Partnership will be treated for U.S. federal income tax purposes as a partnership and not as an association or as a publicly traded partnership taxable as a corporation. In this regard, "publicly traded partnerships" (as defined in Section 7704 of the Code) are generally treated as associations taxable as corporations (rather than as partnerships) unless substantially all of their taxable income consists of specified types of passive income. In order to minimize the risk that the Operating Partnership is treated as a "publicly traded partnership" for tax purposes, we placed certain restrictions on the transfer and/or repurchase of interests in the Operating Partnership. However, if the IRS successfully determines that the Operating Partnership should be treated as a corporation, the Operating Partnership would be required to pay U.S. federal income tax at corporate rates on its net income, its partners would be treated as stockholders of the Operating Partnership and distributions to partners would constitute distributions that would not be deductible in computing the Operating Partnership's taxable income. In addition, if the Operating Partnership were treated as a corporation, we could fail to qualify as a REIT, with the resulting consequences described above. See "Material U.S. Federal Income Tax Considerations—Other Tax Considerations—Tax Aspects of Our Investments in Our Operating Partnership—Classification as a Partnership."

To qualify as a REIT, we must meet annual distribution requirements, which may result in us distributing amounts that may otherwise be used for our operations.

To obtain the favorable tax treatment accorded to REITs, in addition to other qualification requirements, we will be required each year to distribute to our stockholders at least 90% of our REIT taxable income (which may not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for distributions paid and by excluding net capital gains. We will be subject to U.S. federal income tax on our undistributed 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 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be invested in acquisitions of properties and it is possible that we might be required to borrow funds or sell assets to fund these distributions. It is possible that we might not always be able to continue to make distributions sufficient to meet the annual distribution requirements required to maintain our REIT status, avoid corporate tax on undistributed income and/or avoid the 4% excise tax.

From time to time, we may generate taxable income greater than our income for financial reporting purposes, or differences in timing between the recognition of taxable income and the actual receipt of cash. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect our value.

If we were considered to actually or constructively pay a "preferential dividend" to certain of our stockholders, our status as a REIT could be adversely affected.

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net

capital gain. In order for dividends to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the dividends must not be "preferential dividends." A dividend is generally not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in the REIT's organizational documents. There is no de minimis exception with respect to preferential dividends. Therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, including as a result of the manner in which fees are borne by our classes of stock, we may be deemed either to (a) have distributed less than 100% of our REIT taxable income and be subject to tax on the undistributed portion, or (b) have distributed less than 90% of our REIT taxable income and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. We can provide no assurance that we will not be treated as inadvertently paying preferential dividends.

Stockholders who participate in the distribution reinvestment plan may realize taxable income without receiving cash distributions.

Stockholders who elect to participate in the distribution reinvestment plan will incur a tax liability on an amount equal to the fair market value on the relevant distribution date of the shares of our common stock purchased with reinvested distributions, to the extent such distribution is properly treated as being paid out of "earnings and profits," even though such stockholders have elected not to receive the distributions used to purchase those shares of common stock in cash. As a result, each of our stockholders that is not a tax-exempt entity may have to use funds from other sources to pay such tax liability on the value of the common stock received.

Distributions payable by REITs do not qualify for the reduced tax rates that apply to other corporate distributions.

The maximum tax rate applicable to income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts and estates is currently 20% plus a 3.8% "Medicare tax" surcharge. Distributions payable by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient on ordinary income, rather than the 20% preferential rate, and are also subject to the 3.8% Medicare tax; provided, however, that all such distributions (other than distributions designated as capital gain distributions and distributions traceable to distributions from a taxable REIT subsidiary) which are received by a pass-through entity or an individual are eligible for a 20% deduction from gross income under the current tax laws that will expire if not extended at the end of 2025. The more favorable rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay distributions, which could adversely affect the value of our common stock. See "Material U.S. Federal Income Tax Considerations—Taxation of Taxable U.S. Stockholders."

In certain circumstances, we may be subject to federal and state income taxes as a REIT, which would reduce our cash available for distribution to you.

Even if we qualify and maintain our status as a REIT, we may be subject to U.S. federal income taxes or state taxes. For example, net income from a "prohibited transaction" will be subject to a 100% tax. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain income we earn from the sale or other disposition of our properties and pay income tax directly on such income. In that event, our stockholders would be treated as if they had earned that income and paid the tax on it directly, would be eligible to receive a credit or refund of the taxes deemed paid on the income deemed earned, and shall increase the adjusted basis of its shares by the excess of such deemed income over the amount of taxes deemed paid. However, stockholders that are tax-exempt, such as

charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of the companies through which we indirectly own our assets. Any of these taxes we pay will reduce our cash available for distribution to you.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our common stock or gain from the sale of common stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- Part of the income and gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated as unrelated business taxable income if shares of our common stock are predominately held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT share ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;

- Part of the income and gain recognized by a tax-exempt investor with respect to our common stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the common stock; and

- Part or all of the income or gain recognized with respect to our common stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U.S. federal income taxation under Sections 501(c)(7), (9), (17), or (20) of the Code may be treated as unrelated business taxable income.

See "Material U.S. Federal Income Tax Considerations—Taxation of Tax-Exempt Stockholders" section of this Memorandum for further discussion of this issue if you are a tax-exempt investor.

Complying with the REIT requirements may force us to liquidate or forgo otherwise attractive investments, or structure such investments in a tax inefficient manner.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, and the amounts we distribute to stockholders. Accordingly, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, or may be required to forego or to liquidate otherwise attractive investments in order to comply with the REIT tests. In addition, some of our assets may need to be owned by, or operations may need to be conducted through, one or more "taxable REIT subsidiaries" (each, a "TRS") in order to comply with the REIT requirements. All of our TRSs would be subject to U.S. federal, state and local income tax on their taxable income. The after-tax net income of the TRSs would be available for distribution to us. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

The stock ownership limit imposed by the Code for REITs and our charter may restrict our business combination opportunities.

To qualify as a REIT under the Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after our first year in which we qualify as a REIT. Our charter, with certain exceptions, authorizes our board of directors to take the actions that are necessary and

desirable to preserve our qualification as a REIT. Beginning on January 29th of the year after the first year for which we elect to be taxed as a REIT for U.S. federal income tax purposes, our charter will restrict the number of shares any one person or group may own. Unless an exemption is granted by our board of directors, no person (as defined to include entities) may own more than 9.8% in value of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of our common stock. In addition, our charter generally prohibits beneficial or constructive ownership of shares of our capital stock by any person that owns, actually or constructively, an interest in any of our lessees that would cause us to own, actually or constructively, 10% or more of any of our lessees. Our board of directors may grant an exemption, prospectively or retroactively, in its sole discretion, subject to such conditions, representations and undertakings as it may determine. These ownership limitations in our charter are common in REIT charters and are intended, among other purposes, to assist us in complying with the tax law requirements and to minimize administrative burdens. However, these ownership limits might also delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Future sales of properties may result in penalty taxes or may be made through TRSs, each of which would diminish the return to you.

It is possible that one or more sales of our properties may be "prohibited transactions" under provisions of the Code. If we are deemed to have engaged in a "prohibited transaction" (*i.e.*, we sell a property held by us primarily for sale in the ordinary course of our trade or business), all income that we derive from such sale would be subject to a 100% tax. The Code sets forth a safe harbor for REITs that wish to sell property without risking the imposition of the 100% tax. A principal requirement of the safe harbor is that the REIT must hold the applicable property for not less than two years prior to its sale for the production of rental income. It is entirely possible that a future sale of one or more of our properties will not fall within the prohibited transaction safe harbor.

If we acquire a property that we anticipate will not fall within the safe harbor from the 100% penalty tax upon disposition, we may acquire such property through a TRS in order to avoid the possibility that the sale of such property will be a prohibited transaction and subject to the 100% penalty tax. If we already own such a property directly or indirectly through an entity other than a TRS, we may contribute the property to a TRS. Though a sale of such property by a TRS likely would mitigate the risk of incurring a 100% penalty tax, the TRS itself would be subject to regular corporate income tax at the U.S. federal level, and potentially at the state and local levels, on the gain recognized on the sale of the property as well as any income earned while the property is operated by the TRS. Such tax would diminish the amount of proceeds from the sale of such property ultimately distributable to our stockholders. Our ability to use TRSs in the foregoing manner is subject to limitation. Among other things, the value of our securities in TRSs may not exceed 20% of the value of our assets and dividends from our TRSs, when aggregated with all other non-real estate income with respect to any one year, generally may not exceed 25% of our gross income with respect to such year. No assurances can be provided that we would be able to successfully avoid the 100% penalty tax through the use of TRSs.

Changes to the U.S. federal income tax laws, including the enactment of certain tax reform measures, could have an adverse impact on our business and financial results.

In recent years, numerous legislative, judicial and administrative changes have been made to the U.S. federal income tax laws applicable to investments in real estate and REITs, and it is possible that additional such legislation may be enacted in the future. There can be no assurance that future changes to the U.S. federal income tax laws or regulatory changes will not be proposed or enacted that could impact our business and financial results. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in revisions to

regulations and interpretations in addition to statutory changes. If enacted, certain of such changes could have an adverse impact on our business and financial results.

We cannot predict whether, when or to what extent any new U.S. federal tax laws, regulations, interpretations or rulings will impact the real estate investment industry or REITs. Prospective investors are urged to consult their tax advisors regarding the effect of potential future changes to the U.S. federal tax laws on an investment in our shares.

Foreign investors may be subject to FIRPTA on the sale of common stock if we are unable to qualify as a domestically controlled REIT.

A foreign person (other than a "qualified foreign pension plan") disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to a tax and tax reporting requirements under the Foreign Investment in Real Property Tax Act ("FIRPTA") on the gain recognized on the disposition. FIRPTA does not apply, however, to the disposition of stock in a REIT if the REIT is a "domestically controlled REIT." A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by foreign persons (as determined for purposes of these rules). There can be no assurance that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, gain realized by a foreign investor (other than a "qualified foreign pension plan") on a sale of our common stock would be subject to FIRPTA unless our common stock was 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. We are not currently traded on an established securities market. In addition, a foreign person may be subject to tax and tax reporting requirements under FIRPTA on dividends attributable to gain from our sale of U.S. real property interests. See "Material U.S. Federal Income Tax Considerations—Taxation of Non-U.S. Stockholders."

Risks Related to the Investment Company Act

We are not registered as an investment company under the Investment Company Act, and therefore we will not be subject to the requirements imposed on an investment company by the Investment Company Act which may limit or otherwise affect our investment choices.

We, the Operating Partnership, and our subsidiaries intend to conduct our businesses so that we are not required to register as "investment companies" under the Investment Company Act. The operation of a business in a manner so as not to be subject to regulation as an investment company requires an analysis of and compliance with complex laws, regulations and SEC staff interpretations, not all of which are summarized herein. Although we could modify our business methods at any time, at the present time we focus our activities on investments in real estate, buildings, and other assets that can be referred to as "sticks and bricks." We also may invest in other real estate investments, such as real estate-related securities, and will otherwise be considered to be in the real estate business. Because we are not primarily engaged in the business of investing, reinvesting, trading, holding or owning securities, however, we will not be an investment company as defined in Section 3(a)(1) of the Investment Company Act.

Companies subject to the Investment Company Act are required to comply with a variety of substantive requirements such as requirements relating to:

- Limitations on the capital structure of the entity;
- Restrictions on certain investments;

- Prohibitions on transactions with affiliated entities; and

- Public reporting disclosures, record keeping, voting procedures, proxy disclosure and similar corporate governance rules and regulations.

These and other requirements are intended to provide benefits or protections to security holders of investment companies. Because we and our subsidiaries do not expect to be subject to these requirements, you will not be entitled to these benefits or protections. It is our policy to operate in a manner that will not require us to register as an investment company, and we do not expect to register as an "investment company" under the Investment Company Act.

We do not expect that we, the Operating Partnership, or other subsidiaries will be an investment company because, if any entity holds any securities that are considered to be "investment securities" as defined in the Investment Company Act, then we will seek to ensure that such holdings will not exceed 40% of the value of the total net assets of that entity (on an unconsolidated basis) and that no such entity holds itself out as being engaged primarily in the business of investing, reinvesting, trading, holding or owning securities. If an entity were to hold investment securities having a value exceeding 40% of the value of the entity's total net assets (on an unconsolidated basis), and no other exclusion from registration was available, that entity might be required to register as an investment company. In order to avoid such a result, we, the Operating Partnership, or a subsidiary may be unable to sell assets we would otherwise want to sell or we may need to sell assets we would otherwise wish to retain. In addition, we may also have to forgo opportunities to acquire certain investments or interests in companies or entities that we would otherwise want to acquire, or acquire assets we might otherwise not select for purchase.

If we, the Operating Partnership or any subsidiary owns assets that qualify as "investment securities" and the value of such assets exceeds 40% of the value of its total net assets (on an unconsolidated basis), the entity would be deemed to be an investment company absent another exclusion from the Investment Company Act. Certain of the subsidiaries that we may form in the future could seek to rely upon the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, which is available for entities, among other things, "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion, as interpreted by the staff of the SEC, generally requires that at least 55% of an entity's portfolio be comprised of qualifying interests and an additional 25% of the entity's portfolio be comprised of real estate-related interests, although this percentage may be reduced to the extent that more than 55% of the entity's assets are invested in qualifying interests (as such terms have been interpreted by the staff of the SEC), and no more than 20% of such entity's total assets are invested in miscellaneous investments. "Qualifying interests" for this purpose include actual interests in real estate, certain mortgage loans and other assets as interpreted in a manner consistent with SEC staff guidance. We intend to treat as real estate-related interests those assets that do not qualify for treatment as qualifying interests, including any securities of companies primarily engaged in real estate businesses that are not within the scope of SEC staff positions and/or interpretations regarding qualifying interests and securities issued by pass-through entities of which substantially all of the assets consist of qualifying interests and/or real estate-related interests. Due to the factual nature of this test, we, the Operating Partnership, or a subsidiary may be unable to sell assets we would otherwise want to sell or may need to sell assets we would otherwise wish to retain, if we deem it necessary to remain in compliance with the foregoing standards. In addition, we may have to forgo opportunities to acquire certain investments or interests in companies or entities that we would otherwise want to acquire, or acquire assets we might otherwise not select for purchase, if we deem it necessary to remain in compliance with the foregoing standards.

In addition, we, the Operating Partnership and/or our subsidiaries may rely upon other exclusions, including the exclusion provided by Section 3(c)(6) of the Investment Company Act (which excludes,

among other things, parent entities whose primary business is conducted through majority-owned subsidiaries relying upon the exclusion provided by Section 3(c)(5)(C), discussed above), from the definition of an investment company and the registration requirements under the Investment Company Act. There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs (and/or their subsidiaries), including actions by the SEC or its staff providing more specific or different guidance regarding these exclusions, will not change in a manner that adversely affects our operations. For example, on August 31, 2011, the SEC issued a concept release requesting comments regarding a number of matters relating to the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, including the nature of assets that qualify for purposes of the exclusion and whether mortgage REITs should be regulated in a manner similar to investment companies. To the extent that the SEC or the SEC staff provides more specific guidance regarding any of the matters bearing upon the exclusions discussed above or other exclusions from the definition of an investment company under the Investment Company Act upon which we may rely, we may be required to change the way we conduct our business or adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen. If we meet the definition of an investment company under the Investment Company Act and we fail to qualify for an exclusion therefrom, our ability to use leverage and other business strategies would be substantially reduced. Our business will be materially and adversely affected if we fail to qualify for an exemption or exclusion from regulation under the Investment Company Act.

Risks Related to ERISA

If the fiduciary of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, fails to meet the fiduciary and other standards under ERISA, the Code or common law as a result of an investment in shares of our common stock, the fiduciary could be subject to civil penalties.

There are special considerations that apply to investing in our shares on behalf of a trust, pension, profit sharing or 401(k) plans, health or welfare plans, trusts, individual retirement accounts, or IRAs, or Keogh plans. If you are investing the assets of any of the entities identified in the prior sentence in our common stock, you should satisfy yourself that:

- the investment is consistent with your fiduciary obligations under applicable law, including common law, ERISA and the Code;
- the investment is made in accordance with the documents and instruments governing the trust, plan or IRA, including a plan's investment policy;
- the investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Code;
- the investment will not impair the liquidity of the trust, plan or IRA;
- the investment will not produce "unrelated business taxable income" for the plan or IRA;
- our stockholders will be able to value the assets of the plan annually in accordance with ERISA requirements and applicable provisions of the plan or IRA; and
- the investment will not constitute a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA, the Code, or other applicable statutory or common law may result in the imposition of civil penalties, and

can subject the fiduciary to equitable remedies. In addition, if an investment in our shares constitutes a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code, the fiduciary that authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested.

If our assets at any time are deemed to constitute "plan assets" under ERISA, that may lead to the rescission of certain transactions, tax or fiduciary liability and our being held in violation of certain ERISA and Code requirements.

Stockholders subject to ERISA and/or Section 4975 of the Code should consult their own advisors as to the effect of ERISA and Section 4975 of the Code on an investment in the shares. As discussed under "Certain ERISA Considerations," if our assets are deemed to constitute "plan assets" of stockholders that are Covered Plans (as defined below) (i) certain transactions that we might enter into in the ordinary course of our business might have to be rescinded and may give rise to certain excise taxes and fiduciary liability under Title I of ERISA and/or Section 4975 of the Code; (ii) our management, as well as various providers of fiduciary or other services to us (including the Advisor), and any other parties with authority or control with respect to us or our assets, may be considered fiduciaries or otherwise parties in interest or disqualified persons for purposes of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code; and (iii) the fiduciaries of stockholders that are Covered Plans would not be protected from "co-fiduciary liability" resulting from our decisions and could be in violation of certain ERISA requirements.

Accordingly, prospective investors that are (i) "employee benefit plans" (within the meaning of Section 3(3) of ERISA), which are subject to Title I of ERISA; (ii) "plans" defined in Section 4975 of the Code, which are subject to Section 4975 of the Code (including "Keogh" plans and individual retirement accounts or "IRAs"); or (iii) entities whose underlying assets are deemed to include plan assets of any of the foregoing described in clauses (i) and (ii) above (e.g., an entity of which 25% or more of the total value of any class of equity interests is held by "benefit plan investors" (within the meaning of Section 3(42) of ERISA and the regulations thereunder)) (each such plan, account and entity described in clauses (i), (ii) and (iii) we refer to as "Covered Plans") should consult with their own legal, tax, financial and other advisors prior to investing to review these implications in light of such investor's particular circumstances.

The sale of our common stock to any Plan (as defined below) is in no respect a representation by us or any other person associated with the offering of our shares of common stock that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

We may face risks arising from potential control group liability.

Under ERISA and the Code, all members of a group of commonly controlled trades or businesses may be jointly and severally liable for each other's obligations to any defined benefit pension plans maintained by an entity in the controlled group or to which such entity is obligated to contribute. These obligations may include the obligation to make required pension contributions, the obligation to fund any deficit amount upon pension plan termination and the obligation to pay withdrawal liability owed to a multi-employer (union) plan to which such entity makes contributions if the entity withdraws from an underfunded multi-employer pension plan. Certain courts have found that certain supervisory and portfolio management activities of a private equity fund could cause a fund to be considered a trade or business for these purposes, and thus, liable for withdrawal liability owed by a fund's portfolio company to an underfunded multi-employer plan which covered the employees of the portfolio company. Accordingly, if we invested in a control type investment and if we were found to be engaged in a "trade or business" for

ERISA purposes, we and the various entities in which we have a control type investment could be held liable for the defined benefit pension obligations of one or more of such investments.

ESTIMATED USE OF PROCEEDS

The following table sets forth our best estimate of how we intend to use the gross and net proceeds from this offering assuming that we sell the maximum amount of Class F shares. The table excludes proceeds from the offering of up to $75 million of Class C shares pursuant to the distribution reinvestment plan. We expect that the use of distribution reinvestment plan proceeds will be substantially similar to the use of proceeds from our offering of up to $125,000,000 in Class F shares of our common stock.

We intend to use the net proceeds from this offering to (1) make investments in accordance with our investment strategy and policies, (2) reduce borrowings and repay indebtedness incurred under various financing agreements we may enter into and (3) fund redemptions under our share redemption program. Generally, our policy will be to pay distributions from cash flow from operations. However, subject to Maryland law and the discretion of our board of directors, we may choose to use cash flows from borrowings, the sale of our assets, repayments of our real estate debt investments, return of capital or offering proceeds, and advances or the deferral of fees and expenses to fund distributions to our stockholders.

The following tables are presented solely for informational purposes. The figures presented in the tables below are estimates based on numerous assumptions. The actual percentage of net proceeds available to use will depend on a number of factors, including the amount of capital we raise and the actual offering costs. For example, if we raise less than the maximum offering amount, we expect the percentage of net offering proceeds available to us to be less (and may be substantially less) than that set forth below because many offering costs are fixed and do not depend on the amount of capital raised in the offering.

The following table presents information regarding the estimated use of proceeds raised in this offering with respect to Class F shares, using the assumptions described above.

	Maximum Offering of $125,000,000 in Class F Shares	
	Amount	**%**
Gross Proceeds	$ 125,000,000	100.0 %
Less:		
Organization and Offering Expenses Reimbursement[(1)]	$ 1,250,000	1.0 %
Net Proceeds/Amount Available for Investments[(2)]	$ 123,750,000	99.0 %

(1) We pay directly, or reimburse the Advisor if they pay on our behalf, all of our organization and offering expenses on our behalf (including legal, accounting, printing, mailing and filing fees and expenses, due diligence expenses of participating broker dealers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of our escrow agent and transfer agent, costs reimbursement for registered representatives of participating broker dealers to attend educational conferences sponsored by us, fees to attend retail seminars sponsored by participating broker dealers and reimbursements for customary travel, lodging, and meals, reimbursement of broker dealers for technology costs and expenses associated with the offering, and costs and expenses associated with the facilitation of the marketing of our shares and ownership of our shares by their participating customers, but excluding upfront selling commissions). The Advisor has agreed to advance all of our organization and offering expenses on our behalf through December 31, 2024. We will reimburse the Advisor for all of the foregoing advanced expenses ratably over the 60 months following December 31, 2024. After December 31,

2024, we will reimburse the Advisor for any additional offering expenses that it incurs on our behalf as and when incurred. The amount shown in the table for the reimbursement of organization and offering expenses reflects our estimate, as of August 31, 2023, of the organization and offering expenses to be reimbursed from the proceeds of this offering. See "The Advisor and the Advisory Agreement—The Advisory Agreement—Fee and Expense Reimbursements—Reimbursement of Organization and Offering Expenses."

(2) Until substantially all of the net offering proceeds are invested in connection with the acquisition and development of real properties and the acquisition of debt and other investments, substantially all of the net offering proceeds may be invested in short-term, highly liquid investments including but not limited to money market funds, government obligations, bank certificates of deposit, short-term debt obligations, and interest bearing accounts. The number of additional real properties we are able to acquire or develop and the amount of debt and other investments which we are able to make will depend on several factors, including the amount of capital raised in this offering, whether we use offering proceeds to make distributions, the extent to which we incur debt or issue OP Units in order to acquire or develop real properties and the terms of such debt and the purchase price of the real properties we acquire or develop and the debt and other investments we make. We are not able to estimate the number of real properties we may acquire or develop or the number of debt and other investments we may make assuming the sale of any particular number of shares of our common stock.

MARKET OPPORTUNITY

Industry Overview & Market Opportunity

Multifamily Focused Strategy

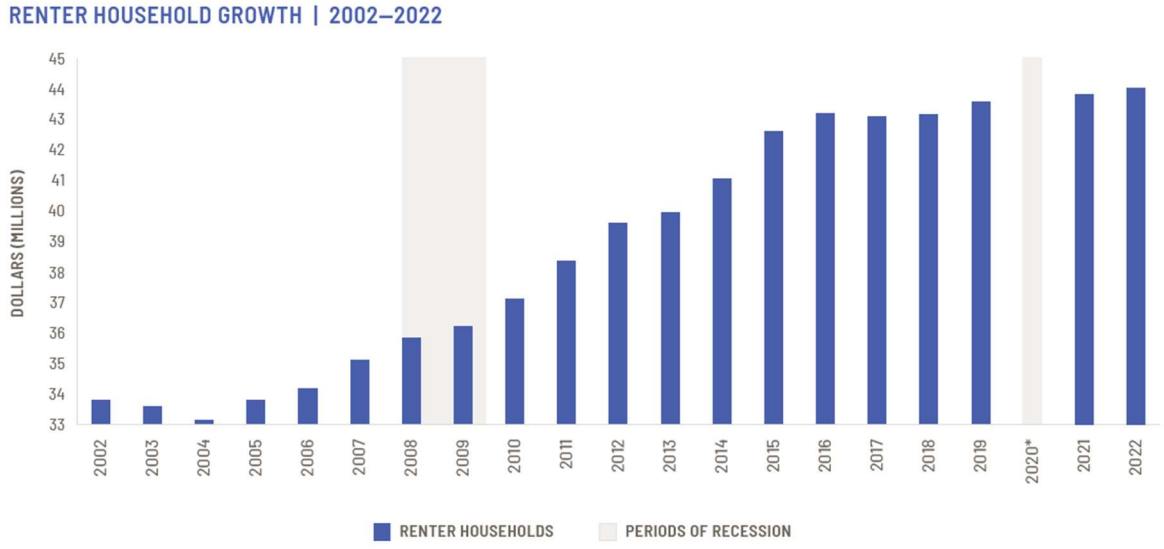
We invest directly or indirectly in multifamily apartment communities and multifamily real estate-related assets, including potential development projects, located in high-growth markets throughout the United States. We believe that strong underlying fundamentals, various economic factors, and the always-present need for individuals and families to have housing will promote continued growth in the multifamily sector.

Current market dynamics suggest the positive trends in United States multifamily housing will continue. In particular, a demonstrated reduction in housing supply in the U.S. since the Great Financial Crisis, combined with positive demographic trends favoring demand for multifamily housing units support long-term strength in the multifamily sector. We believe that other factors such as multifamily returns as a potential inflation hedge and recession-resistant multifamily market fundamentals further enhance the value proposition for owning multifamily apartment communities.

Multifamily Demand

We believe that positive demographic trends support the continued and growing demand for multifamily housing.

Sustained Growth in Rental Demand. The demand for renter households has steadily increased over the past 20 years, reaching 43.9 million households renting their homes in 2022.



*Note: Estimates for 2020 are omitted due to data collection issues experienced during the pandemic.

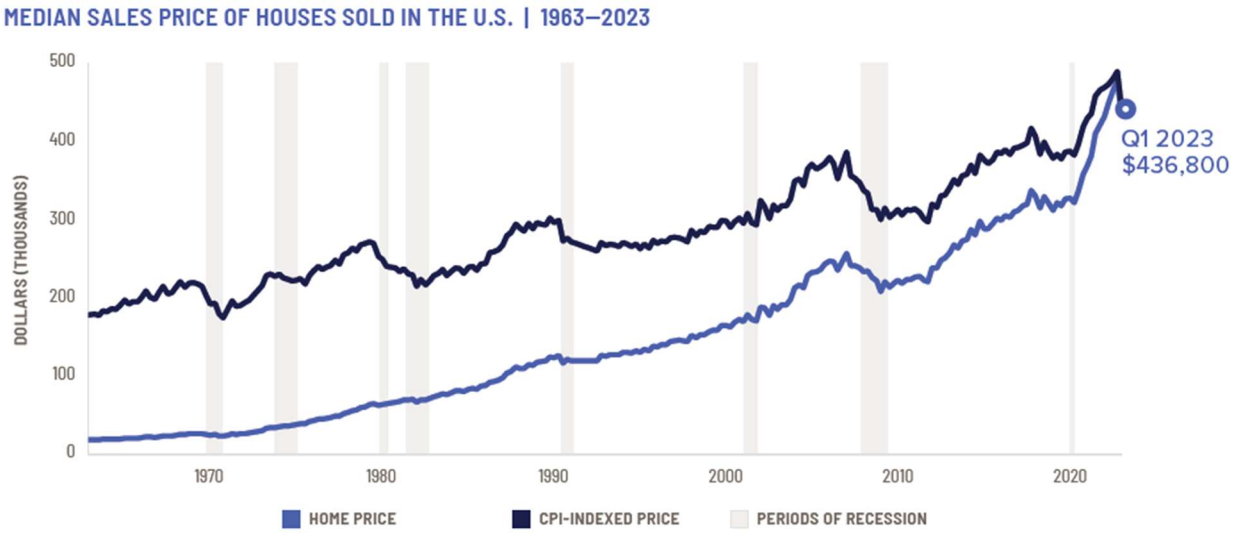
Source: Harvard Joint Center for Housing Studies, The State of the Nation's Housing, 2023, www.jchs.harvard.edu. All rights reserved.

Housing Supply

Housing supply in the U.S. has not kept pace with demand, resulting in a shortage of units and forcing housing prices upward. Housing, of course, is not optional. It is a fundamental need. The Federal Government recognizes this reality in its support for residential mortgage lending, including for multifamily

through Fannie Mae and Freddie Mac loan programs. Even so, U.S. housing shortages have become worse, not better. As stated by Jeffery Hayward, Executive Vice President and Chief Administrative Officer at Fannie Mae, "the causes of the housing supply crisis are widely understood. After the Great Recession in 2008, new home construction dropped like a stone. Fewer new homes were built in the 10 years ending 2018 than in any decade since the 1960s. By 2019, a good estimate of the shortage of housing units for sale or rent was 3.8 million. The pandemic-induced materials and labor shortage exacerbated the trend, however, as evidenced by the surge in rents and home prices in 2021.[1]

Housing Undersupply has Driven Home Price Appreciation. Buyers sidelined by affordability fill the renter pool. The undersupply in housing has caused home prices to skyrocket, making purchasing a home out of reach for many and pushing more people to the rental market. Even recessions have surprisingly little impact on home price growth. Because people still need a place to live, we believe such individuals are being pushed into the rental market, increasing demand for multifamily units.



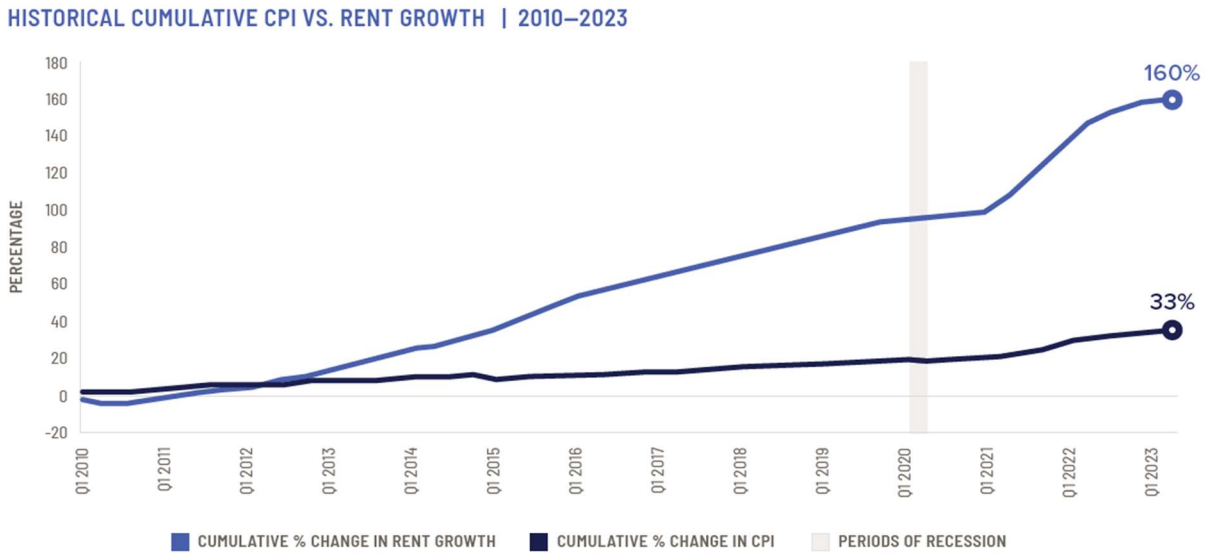
Source: U.S. Bureau of Labor Statistics, June 8, 2023.

Economic Factors

We believe that even in a changing economic outlook with resurgent inflation and rising recession concerns, strong fundamentals remain in the multifamily rental sector.

Multifamily Housing May Benefit from Inflation. Inflation has increased substantially since 2020, with the inflation rate now higher than it has been since the early 1980s.

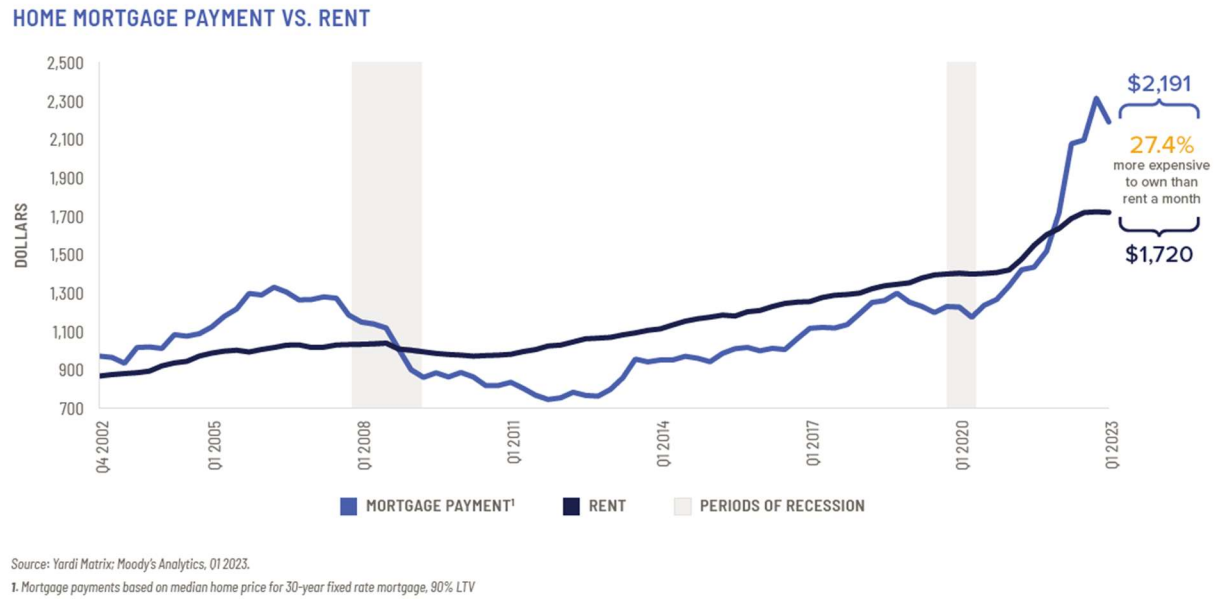
[1] Fannie Mae Perspectives Blog: "U.S. Housing Shortage: Everything, Everywhere, All at Once", October 31, 2022.



Source: U.S. Bureau of Labor Statistics, June 8, 2023.

Given the short duration of apartment leases, multifamily properties are uniquely positioned to keep up with inflation by re-pricing rents, typically annually at a minimum. This has led to significant rent growth and provides an inflationary hedge not available from other real estate asset classes that utilize longer term leases.

Increasing Mortgage Rates Makes Home Ownership Less Affordable. In March of 2022, the Federal Reserve began increasing the federal funds rate as a means of combatting inflation. These increases have helped push mortgage rates to their highest level since the Great Financial Crisis. High housing prices combined with the increasing cost of mortgages makes home ownership less attainable, which we believe serves to increase demand for multifamily rentals like those we own.



Source: Yardi Matrix; Moody's Analytics, Q1 2023.

1. Mortgage payments based on median home price for 30-year fixed rate mortgage, 90% LTV

Support for Multifamily in Economic Downturns. As the Federal Reserve works to combat inflation, recession fears have risen. Private real estate can offer stability during times of market turbulence. During a recession, private real estate investments are often less sensitive to market fluctuations. Unlike public markets, including publicly traded REITS, which are subject to the volatility of the stock market, private real estate investments are not traded on public markets and are therefore less susceptible to market swings. This can help to insulate investors from the ups and downs of the broader economy, making private real estate a more stable investment during a recession. When weighing these potential benefits with respect to volatility, investors should keep in mind that private real estate investments are significantly less liquid than publicly-traded investments.

Multifamily has a unique source of liquidity even during times of market turbulence. The Federal Government support for housing in general extends to multifamily in particular. Fannie Mae and Freddie Mac loan programs can provide funding sources in the absence of traditional lenders.

INVESTMENT STRATEGY, OBJECTIVES AND POLICIES

The following is a discussion of certain of our investment, financing and other policies. These policies generally may be amended or revised from time to time by our board of directors without a vote of our stockholders.

Investment Objectives

Our primary investment objectives are to:

- preserve and protect invested capital;
- provide current income in the form of regular, stable cash distributions to investors;
- realize capital appreciation over the long-term from proactive investment and asset management; and
- provide a geographically diversified portfolio of multifamily real estate investments with lower expected volatility relative to public real estate companies whose securities trade daily on a stock exchange.

Competitive Strengths

Our competitive strengths enable us to generate attractive risk-adjusted returns for stockholders. Our key executives have been involved with the sourcing, structuring, lending, financing, operation, management and development of multifamily real estate with an average of over 25 years of experience during three major market cycles. These strengths include, but are not limited to, the following:

- **Strategic Focus on Multifamily.** Because they fulfill a basic human need of housing, multifamily apartment communities typically benefit from sustained demand. In addition, the income generated is diversified across numerous individual tenants, and they permit a long-term asset to be paired with favorable debt that may include long-term, fixed-rate, non-recourse financing through Government-Sponsored Enterprises, like Fannie Mae, Freddie Mac and the United States Department of Housing and Urban Development.
- **Experienced Team with Significant Market and Asset Knowledge Across the Entire Multifamily Capital Stack.** The Sponsor has an extensive track record of successfully investing in and managing multifamily properties and creating value across core, core-plus, value-add, opportunistic and development investment strategies. As of June 30, 2023, the Sponsor, through its affiliates and related parties, including FMREIT, has invested in over 15,700 multifamily units with a total acquisition/development cost of more than $2.5 billion. These figures represent Forum's current and historical direct multifamily portfolio, including stabilized assets, assets that are under construction, assets in lease up and assets that had been sold as of June 30, 2023, but does not include commercial/land projects. In addition, our executives have substantial expertise in executing transactions across the capital stack — equity, preferred equity, and debt— which provides us with substantial flexibility to create value in our investments, subject to maintaining our qualification as a REIT.
- **Strong Acquisition Opportunities Provided by Extensive Relationships Across the Multifamily Industry.** Inclusive of the Sponsor's current projects under construction, the Sponsor is active in the following states: Georgia, North Carolina, South Carolina, Michigan, Indiana, Minnesota, Colorado, Utah, Arizona, Nevada, California, and Washington. As of June 30, 2023, the Sponsor's development pipeline has 13 sites, consisting of an aggregate of 3,643

proposed units in Arizona, California, Colorado, Nevada, and Utah that are currently under construction or under ownership. Construction delivery dates range from 2022 to 2026. Furthermore, the Advisor's team has developed an extensive network of relationships with institutional investment managers and private operators and developers throughout the multifamily industry. These relationships provide us with access to an ongoing pipeline of acquisition and investment opportunities in its target markets.

- **Expertise in Structuring and Financing Transactions.** The Advisor's investment team has substantial expertise with structuring and financing transactions, which enables us to continuously evaluate and effectively access the most efficient capital structure for apartment investments at any given time.

Our Business and Growth Strategies

Investment Philosophy and Selection Process

We operate pursuant to a philosophy that location, strong economic drivers, favorable business climate, strong renter demographics, long-term investment time horizon, asset-specific attributes and appropriate leverage are fundamental drivers of long-term value creation in real estate. These principles drive the material aspects of the Advisor's investment decision-making process.

Risk Management

Evaluating investment returns is only one aspect of an overall investment strategy; the corresponding risks presented by each investment must also be evaluated. We systematically identify and measure risk and actively manage risk by focusing on both macro-economic and micro-economic risks across our entire portfolio. We combine thorough risk analysis with a long-term investment horizon in an effort to optimize risk-adjusted returns.

Location

From a geographic perspective, we begin with a strategic market analysis that also allows for opportunistic investments where the Advisor identifies unique opportunities, market dislocation or mispriced assets. The Advisor will generally target investment locations with enduring value and high barriers to entry (such as time-consuming regulatory hurdles for new construction), where minimal competitive supply is planned or under construction and opportunities exist to buy assets below replacement cost. Buying an asset below replacement cost is one way to offer a margin of safety for property owners, typically, ensuring that no new construction will be completed until values rise to justify new product. The Advisor will also seek to anticipate broader market capital flows and invest where economic growth is expected to drive resident demand, but new supply is limited. Additional investment location considerations by the Advisor will include:

- **Strong Economic Drivers and Employment.** Economic base characterized by growth industries, employment sectors, and jobs of the future such as financial services, information technology and healthcare, are better positioned for higher employee earnings potential, enhancing price elasticity of rents.

- **Renter Demographics.** Locations with a higher concentration of the prime renter demographic with above average incomes and education will drive increased demand for renting apartments.

- **Robust Infrastructure.** Growing economic base driven by the presence of technology centers, major colleges and universities, health care, trade, next-generation high value-add manufacturing, government industries, and modern transportation networks.
- **Locations.** Sites within markets or sub-markets undergoing redevelopment programs or land recycling initiatives, or that generally exhibit high barriers to entry, which in the opinion of the Advisor are better investment prospects over the long run.
- **Accessibility to Key Attractions.** Focus on local block-by-block details (the sub-market within a sub-market) during the investment selection process, including walkability scores, public transportation, crime rates, projected employment growth and access to popular dining and entertainment and retail venues, as well as sought after school districts.

Time Horizon

Our portfolio generally consists of illiquid real estate investments. Though we expect to hold properties for the long term, an asset within our investment portfolio may experience short-term fluctuations in value. Nonetheless, we believe purchasing and holding assets in enduring locations will ultimately create long-term value and capital appreciation. Our structure allows us to hold assets for periods of time sufficient to withstand short-term market volatility.

Asset-Specific Attributes

The management team of the Advisor has extensive experience investing in and managing institutional multifamily apartment communities. The Advisor will investigate each investment opportunity in the context of comparable communities to assess relative market position, functionality, suite of amenity offerings, unit-specific features and obsolescence. Site inspections are an important aspect of the Advisor's underwriting process. For example, under-managed or under-capitalized assets represent a unique investment opportunity to stabilize and/or refurbish the community to maximize operating performance and long-term value.

Leverage

Downside risk of short-term fluctuations in market values or cash flow can be mitigated by using appropriately conservative leverage policies. Excess leverage during market corrections often results in property owners being forced to sell or liquidate assets at inopportune times. We will seek to obtain secured and unsecured debt. Secured debt may include long-term, fixed-rate, or non-recourse financing. We will seek to blend interest only and amortizing debt in order to balance cash distributions with long-term appreciation. We intend to stagger loan maturities across assets in order to manage downside risk. We may obtain a line of credit or other financings that will be secured by one or more of our investments. The proceeds from any line of credit or financing may be used to bridge the acquisition of, or to acquire, multifamily properties or real estate-related assets. We will target an aggregate loan-to-cost or loan-to-value ratio of 45% to 65%; provided, however, that we may obtain financing that is less than or exceeds such ratio in the discretion of our board of directors if the board of directors deems it to be in our best interest to obtain such financing.

Due Diligence Process

Once a potential investment has been identified, the Advisor will engage in a rigorous due diligence process. Although due diligence procedures will be customized for specific elements of each deal, the Advisor follows traditional due diligence processes (physical, market, financial, environmental, zoning, insurance, tax, legal, etc.) in considering investments for us. The Advisor may outsource certain due

diligence items to specialized consultants or third-party service providers, as needed, to support the diligence effort. The Advisor's diligence will focus on three customary areas:

- **Financial Due Diligence**. A preliminary review of each investment opportunity will be conducted in order to screen the attractiveness of each transaction. The preliminary review is followed by an initial projection based on macro- and micro-economic analyses. Projection assumptions will be developed from analysis of historical operating performance, communications with management, and analysis of research reports generated from real estate brokerage firms, investment banks, consultants and other pertinent resources. The Advisor will also leverage a broad network of contacts in developing investment projections, such as strategic partners, local developers, appraisers, industry experts, third-party consultants, outside counsel, accountants and tax advisors. As necessary, third-party accounting consultants may be used to review relevant books and records, confirm cash flow information provided by a seller and conduct other similar types of analysis.

- **Physical Due Diligence**. The Advisor will hire third-party consultants, as necessary, to prepare reports on the physical condition of the asset, environmental and engineering matters. Conclusions from such consultants' reports may influence the financial projections for an investment or lead the Advisor to terminate the pursuit of an investment. The Advisor and/or property manager will also spend time in the surrounding market and visit competitive properties to better understand market dynamics.

- **Legal and Tax Due Diligence**. The Advisor will work closely with outside counsel to review diligence materials and negotiate applicable legal and property specific documents pertaining to any investment opportunity. The scope of legal and tax diligence will be broad and include (as appropriate) review of property title and survey, existing and/or new loan documents, leases, management agreements and purchase and service contracts. Additionally, the Advisor will work with tax advisors to structure investments in an efficient manner.

Financing Strategy

We will finance the purchase of our multifamily apartment communities with proceeds from this offering, our future offerings and loans obtained from third-party lenders. We anticipate the use of moderate leverage to enhance total cash flow to our stockholders. We target an aggregate loan-to-cost or loan-to-value ratio of 45% to 65% at the REIT level; provided, however, that we may obtain financing that is less than or exceeds such ratio in the discretion of our board of directors if the board of directors deems it to be in our best interest to obtain such financing. Although there is no limit on the amount we can borrow to acquire a single real estate investment, if we consummate a public offering, we may not leverage our assets with debt financing such that our borrowings are in excess of 300% of its net assets, unless a majority of our board of directors finds substantial justification for borrowing a greater amount and such excess borrowings are disclosed, along with the board of directors' justification for such excess. Examples of such a substantial justification include, but are not limited to, obtaining funds for the following: (i) to repay existing obligations, (ii) to pay sufficient distributions to maintain REIT status or (iii) to buy an asset where an exceptional acquisition opportunity presents itself and the terms of the debt agreement and the nature of the asset are such that the debt does not increase the risk that we would become unable to meet our financial obligations as they become due. We anticipate that all financing obtained to acquire stabilized multifamily apartment communities will be non-recourse to the Operating Partnership and ourselves (however, it is possible that some of these loans will require us to enter into guaranties with respect to certain non-recourse carve-outs). We may obtain recourse debt in connection with certain development transactions.

We may obtain a line of credit or other financing that will be secured by one or more of our assets. We may use the proceeds from any line of credit or financing to bridge the acquisition of, or acquire,

multifamily apartment communities and multifamily real estate-related assets if our board of directors determines that we require such funds to acquire the multifamily apartment communities or real estate-related assets.

Property Operations

The Advisor's responsibilities include strategic asset management initiatives such as capital enhancing projects and/or repositioning of an investment, identification of asset or portfolio-level risks or opportunities and the dedication of appropriate resources for potentially underperforming investments. The Advisor's role as asset manager serves as a risk-management control function, helping diagnose problems or identify opportunities at an early stage and develop creative solutions to focus attention where it is needed most.

The Advisor works closely with third-party managers who perform property management services for our properties and oversee the day-to-day operations of our stabilized operating communities. Asset managers assist our third-party property managers in developing and aggregating community-level projections, pricing strategies, marketing campaigns and expense management initiatives, and synthesizing data into management reports and analysis to streamline the management of our investment portfolio and financial reporting.

Property Management Services

We endeavor to partner with best-in-class, third-party property management firms with significant concentration in their markets. Accordingly, we are able to leverage the size and scale of our management partners to access an already cultivated, deep pool of employee talent, as well as obtain superior pricing and service from vendors. We use revenue management software at all our communities, allowing our rents to re-price daily and outpace inflation.

Dispositions

The Advisor underwrites long-term hold periods for our investments (generally, five to 10 years for stabilized operating communities and equity investments in developments, and three to four years for preferred equity or mezzanine debt investments). The Advisor will evaluate development opportunities that align with the overall strategic objectives of our business. We believe that holding target assets for a long period of time will enable us to execute our business plan, generate stable cash-on-cash returns and drive long-term cash flow and NAV growth.

From time to time, at the discretion of the board of directors and the Advisor, we may elect to sell an investment before the end of its underwritten hold period if the Advisor believes that will maximize value for us. The Advisor and asset managers will closely monitor market conditions and any decision to sell an investment (earlier or later than, or in-line with, underwritten expectations) will depend on a variety of factors. For example, the hold period may be influenced by events such as an anticipated change in the regulatory landscape in the jurisdiction in which the investment is located or an unfavorable expected shift in the investment's sub-market that may limit future potential upside for the investment. Similarly, the current value or status of the investment's business plan may influence an investment's hold period. Additionally, the Advisor may consider current market values relative to underwritten values as well as the opportunity cost of selling the investment immediately or holding the investment for a longer period of time relative to the status of any value creation plan that was established at acquisition.

Upon making the decision to sell an individual asset, portfolio of assets or the entire investment portfolio, the Advisor will generally broadly market a sale through appropriate channels in order to

maximize value for our stockholders. However, in the board of directors' and Advisor's discretion, the Advisor may pursue a one-off or private sale where it is believed that such execution will result in a more favorable outcome for us. In situations where we select a third-party brokerage firm to market an asset, the Advisor will endeavor to select the best-in-class firm in order to maximize value for the us.

We are not, however, required to provide stockholders a liquidity event by a specified date or at all and we intend to operate as a perpetual-life NAV REIT with liquidity opportunities available to our stockholders through an enhanced share redemption program.

Joint Venture Investments

We may enter into joint ventures, partnerships, co-tenancies and other co-ownership arrangements or participations with real estate developers, owners and other affiliated or non-affiliated third parties for the purpose of owning or operating properties. We may also enter into joint ventures for the development or improvement of properties. Joint venture investments permit us to own interests in large properties and other investments without unduly limiting the diversity of our portfolio. Our investments may be in the form of equity or debt. In determining whether to recommend investment in a particular joint venture, the Advisor will evaluate the real property that such joint venture owns or is being formed to own under the same criteria described above in "—Investment Philosophy and Selection Process" for the selection of our real property investments.

We have not established specific terms we will require in the joint venture agreements we may enter into, or the safeguards we will apply to, or require in, our potential joint ventures. The specific terms and conditions for each joint venture will be determined on a case-by-case basis after the Advisor and board of directors consider all facts they believe are relevant, such as the nature and attributes of our other potential joint venture partners, the proposed structure of the joint venture, the nature of the operations, liabilities and assets the joint venture may conduct and own, and the proportion of the size of our interest when compared to the interests owned by other parties. Any joint ventures with affiliates will result in certain conflicts of interest.

Investments in Real Estate-Related Debt and Securities

We may invest in real estate-related debt and securities including mortgage loans, preferred equity investments, B-Notes, mezzanine loans, equity investments in a property or land which will be developed into a multifamily apartment community or real estate-related securities and other securities. We may structure, underwrite and originate the debt in which we invest. Our underwriting process involves a comprehensive due diligence process as described above to assess the risks of investments so that we can optimize pricing and structuring. By originating debt directly, we are able to efficiently structure a diverse range of products. We may sell some of the debt (or portions of the debt after separating it into tranches) that we invest in or originate to third parties for a profit. We expect to hold other debt and securities (or portions of thereof) for investment.

Described below are some of the types of securities we may originate or acquire:

- **Preferred Equity.** We may make investments that are subordinate to any mortgage or mezzanine loan, but senior to the common equity of the borrower. Preferred equity investments typically receive a preferred return from the issuer's cash flow rather than interest payments and often have the right for such preferred return to accrue if there is insufficient cash flow for current payment. These investments are not secured by the underlying real estate, but upon the

occurrence of a default, the preferred equity provider typically has the right to effect a change of control with respect to the ownership of the property.

- **Mortgage Loans.** We may originate or acquire mortgage loans secured by multifamily apartment communities. We may also acquire seasoned mortgage loans in the secondary market secured by multifamily assets.

- **B-Notes.** B-Notes are junior participations in a first mortgage loan on a single property or group of related properties. The senior participation is known as an A-Note. Although a B-Note may be evidenced by its own promissory note, it shares a single borrower and mortgage with the A-Note and is secured by the same collateral. Though B-Note lenders have the same obligations, collateral and borrower as the A-Note lender, in most instances B-Note lenders are contractually limited in rights and remedies in the event of a default. The B-Note is subordinate to the A-Note by virtue of a contractual or intercreditor arrangement between the A-Note lender and the B-Note lender. For the B-Note lender to actively pursue its available remedies (if any), it must, in most instances, purchase the A-Note. In the event the B-Note lender is the directing certificate holder of the loan, it will have the authority on behalf of the A-Note holder to actively pursue all remedies on behalf of the A-Note holder to maintain its performing status in the event of a default on the B-Note. The B-Note lender may in some instances require a security interest in the stock or partnership interests of the borrower as part of the transaction. If the B-Note holder can obtain a security interest, it may be able to accelerate gaining control of the underlying property, subject to the rights of the A-Note holder. These debt instruments are senior to the mezzanine debt tranches described below, though they may be junior to another junior participation in the first mortgage loan. B-Notes may or may not be rated by a recognized rating agency. B-Notes typically are secured by a single property, and the associated credit risk is concentrated in that single property. B-Notes share certain credit characteristics with second mortgages in that both are subject to more credit risk with respect to the underlying mortgage collateral than the corresponding first mortgage or the A-Note.

- **Mezzanine Loans.** The mezzanine loans we may originate or acquire will generally take the form of subordinated loans secured by either a pledge of the ownership interests of an entity that directly or indirectly owns real property or a second deed of trust. We may hold senior or junior positions in mezzanine loans, such senior or junior position denoting the particular leverage strip that may apply.

  We may require other collateral to provide additional security for mezzanine loans, including letters of credit, personal guarantees or collateral unrelated to the property. We may structure our mezzanine loans so that we receive a stated fixed or variable interest rate on the loan as well as a percentage of gross revenues and a percentage of the increase in the fair market value of the property securing the loan, payable upon maturity, refinancing or sale of the property. Our mezzanine loans may also have prepayment lockouts, penalties, minimum profit hurdles and other mechanisms to protect and enhance returns in the event of premature repayment.

In evaluating prospective acquisitions and originations of loans, our management and the Advisor will consider factors such as the following:

- the ratio of the amount of the investment to the value of the property by which it is secured;

- the amount of existing debt on the property and the priority thereof relative to our prospective investment;

- the property's potential for capital appreciation;

- expected levels of rental and occupancy rates;

- current and projected cash flow of the property;
- potential for rental increases;
- the degree of liquidity of the investment;
- the geographic location of the property;
- the condition and use of the property;
- the property's income-producing capacity;
- the quality, experience and creditworthiness of the borrower; and
- general economic drivers and conditions in the area where the property is located.

The Advisor will evaluate all potential loan investments to determine if the security for the loan and the loan-to-value ratio meets our investment criteria and objectives. One of the real estate and debt finance professionals at the Advisor or its subsidiary or their agent may inspect material properties during the loan approval process, if such an inspection is deemed necessary. Inspection of a property may be deemed necessary if that property is considered material to the transaction (such as a property representing a significant portion of the collateral underlying a pool of loans) or if there are unique circumstances related to such property such as recent capital improvements or possible functional obsolescence. We also may engage trusted third-party professionals to inspect properties on its behalf.

While some of the loans that we will consider for investment may provide for monthly payments of interest and principal amortization, it is expected that most of the loans in which we will invest will provide for payments of interest only during the loan term and a payment of principal in full at the end of the loan term.

Investments in Real Estate-Related Entities

We may invest in and/or acquire securities of real estate-related entities, either publicly traded or privately held, that own multifamily or other real estate assets. These entities may include REITs and other real estate-related entities, such as private real estate funds, real estate management companies, real estate development companies and debt funds. We may also invest in companies with substantial real estate portfolios for the purpose of obtaining ownership interests in the real estate. We do not have, and do not expect to adopt, any policies limiting our investment in and/or acquisitions of REITs or other real estate-related entities to those conducting a certain type of real estate business or owning a specific property type or real estate asset class.

In most cases, we will evaluate the feasibility of investing in and/or acquiring these entities using the same criteria we will use in evaluating the acquisition of real property. As part of any entity acquisition or shortly thereafter, we may sell certain properties to affiliates of the Advisor or others that, in our view, would not fit within our investment strategy or intended portfolio composition. We may invest in these entities in the open market, in negotiated transactions or through tender offers. Any such investment and/or acquisition must, however, be consistent with maintaining our qualification to be taxed as a REIT.

Charter-Imposed Investment Limitations

Should we commence a public offering, our charter will place numerous limitations on us with respect to the manner in which we may invest our funds, including the following.

- We will not make investments in unimproved real property or indebtedness secured by a deed of trust or mortgage loans on unimproved real property in excess of 10% of our total assets. Unimproved real property means a property in which we have an equity interest that was not acquired for the purpose of producing rental or other income, that has no development or construction in process and for which no development or construction is planned, in good faith, to commence within one year;

- We will not invest in commodities or commodity futures contracts (which term does not include derivatives related to non-commodity investments, including futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets, mortgages and real estate-related securities);

- We will not invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;

- We will not make or invest in individual mortgage loans unless an appraisal is obtained concerning the underlying property except for mortgage loans insured or guaranteed by a government or government agency. In cases where a majority of the independent directors determines and in all cases in which a mortgage loan transaction is with the Advisor, the Sponsor, any of the directors or any of their affiliates, the appraisal shall be obtained from an independent appraiser. We will maintain the appraisal in our records for at least five years and it will be available for inspection and duplication by the stockholders. We will also obtain a mortgagee's or owner's title insurance policy as to the priority of the mortgage or condition of the title;

- We will not make or invest in mortgage loans, including construction loans, on any one real property if the aggregate amount of all mortgage loans on such real property would exceed an amount equal to 85% of the appraised value of such real property as determined by appraisal unless substantial justification exists because of the presence of other underwriting criteria;

- We will not make or invest in mortgage loans that are subordinate to any lien or other indebtedness or equity interest of any of the directors, the Sponsor, the Advisor or any of our affiliates;

- We will not issue (1) equity securities redeemable solely at the option of the holder (except that stockholders may offer their shares of common stock to us pursuant to the share redemption program), (2) debt securities unless the historical debt service coverage (in the most recently completed fiscal year) as adjusted for known changes is anticipated to be sufficient to properly service that higher level of debt, (3) equity securities on a deferred payment basis or under similar arrangements or (4) options or warrants to the directors, the Sponsor, the Advisor, or any of their affiliates, except on the same terms as such options or warrants, if any, are sold to the general public. Options or warrants may be issued to persons other than the directors, the Sponsor, the Advisor, or any of their affiliates, but not at exercise prices less than the fair value of the underlying securities on the date of grant and not for consideration (which may include services) that in the judgment of the independent directors has a fair value less than the value of the option or warrant on the date of grant;

- We will not engage in the business of underwriting or the agency distribution of securities issued by other persons;

- We will not acquire interests or equity securities in any entity holding investments or engaging in activities prohibited by our charter except for investments in which we hold a non-controlling

interest or investments in any entity having securities listed on a national securities exchange or included for quotation on an interdealer quotation system;

- We will not acquire equity securities unless a majority of the board of directors (including a majority of the independent directors) not otherwise interested in the transaction approves such investment as being fair, competitive and commercially reasonable;
- We will not enter into joint ventures with one or more of the Sponsor, the Advisor, the directors, or any of their affiliates, unless a majority of our directors, including a majority of the independent directors, not otherwise interested in the transaction approve the transaction as being fair and reasonable to us and on substantially the same, or more favorable, terms and conditions as those received by other affiliate joint venture partners;
- We will not violate any provisions of our charter in connection with any purchase, sale, lease, loan or other transaction involving us and one or more of the Sponsor, the Advisor, the directors, or any of their affiliates; and
- We will not violate any provisions of our charter in connection with any roll-up transaction.

Conflict of Interest Policies

Relationship with the Advisor

See "Conflicts of Interest and Benefits to the Advisor and its Affiliates" below.

Relationship with the Operating Partnership

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and the Operating Partnership or any partner thereof, on the other hand. Our directors and officers have duties to us under Maryland law in connection with their management of us. At the same time, our wholly owned subsidiary, as the general partner of the Operating Partnership, has fiduciary duties and obligations to the Operating Partnership and its limited partners under Delaware law and the OP Agreement in connection with the management of the Operating Partnership. The General Partner's fiduciary duties and obligations as the general partner of the Operating Partnership may come into conflict with our director's and officer's duties to us.

Unless otherwise provided for in a partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. The OP Agreement provides that, in the event of a conflict between the interests of the limited partners of the Operating Partnership, on the one hand, and the separate interests of our stockholders, on the other hand, the General Partner, in its capacity as the general partner of the Operating Partnership, shall act in the interests of our stockholders and is under no obligation to consider the separate interests of the limited partners of the Operating Partnership in deciding whether to cause the Operating Partnership to take or not to take any actions. The OP Agreement further provides that any decisions or actions taken or not taken by the General Partner in accordance with the OP Agreement will not violate any duties, including the duty of loyalty that the General Partner, in its capacity as the general partner of the Operating Partnership, owes to the Operating Partnership and its partners.

Additionally, the OP Agreement provides that the General Partner will not be liable to the Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Operating Partnership or any limited partner unless the act or omission of the

General Partner amounted to willful misconduct or gross negligence. The Operating Partnership must indemnify the General Partner, us, our directors and officers, officers of the Operating Partnership and others designated by the General Partner from and against any and all claims that relate to the operations of the Operating Partnership, unless (1) an act or omission of the indemnified person was material to the matter giving rise to the action and constituted willful misconduct or gross negligence, (2) the indemnified person actually received an improper personal benefit in money, property or services, or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. The Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. The Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the OP Agreement) or if the person is found to be liable to the Operating Partnership on any portion of any claim in the action. No reported decision of a Delaware appellate court has interpreted provisions similar to the provisions of the OP Agreement that modify and reduce our fiduciary duties or obligations as the sole member of the General Partner or reduce or eliminate our liability for money damages to the Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the OP Agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the OP Agreement.

Sale or Refinancing of Properties

Upon the sale of certain of the properties in our portfolio, certain OP Unit holders could incur adverse tax consequences which are different from our tax consequences and the tax consequences to holders of our common stock. Consequently, OP Unit holders may have differing objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness. The Advisor plans to use commercially reasonable efforts not to effect a sale in a taxable transaction or otherwise take any action that will result in adverse tax consequences to OP Unit holders.

While we have the exclusive authority under the OP Agreement to determine whether, when and on what terms to sell a property or when to refinance or repay indebtedness, any such decision may require the approval of the board of directors.

Policies Applicable to All Directors and Officers

Our charter and bylaws do not restrict any of our directors, officers, stockholders or affiliates from having a pecuniary interest in an investment or transaction that we have an interest in, or from conducting, for their own account, business activities of the type we conduct. We have adopted policies that are designed to eliminate or minimize potential conflicts of interest, including a policy for the review, approval or ratification of any related party transactions. This policy provides that the conflicts committee of our board of directors will review the relevant facts and circumstances of each related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party before approving such transaction. We have also adopted a code of business conduct and ethics, which provides that all of our directors, officers and employees are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without our consent. See "Management—Corporate Governance." However, there can be no assurance that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders and unit holders.

Interested Director and Officer Transactions

In addition to requirements imposed by our charter regarding transactions between us and interested directors or officers, pursuant to the MGCL, a contract or other transaction between us and a director, or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest, is not void or voidable solely on the grounds of such common directorship or interest. The common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof will not render the transaction void or voidable if:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board of directors, and our board of directors or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote, other than the votes of shares owned of record or beneficially by the interested director or corporation or other entity; or
- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Certain Other Policies—Investment Company Act

We expect to conduct our operations so that neither we, nor the Operating Partnership, nor any subsidiary will be required to register as an investment company under the Investment Company Act. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, which is referred to as the 40% test. Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We are organized as a holding company that conducts our businesses primarily through the Operating Partnership and our direct and indirect majority-owned subsidiaries; however, we may also make investments directly. It is expected that the focus of our business, conducted primarily through the Operating Partnership and its majority-owned subsidiaries, will involve the non-investment company business of making investments in real estate, buildings, and other assets that can be referred to as "sticks and bricks." It is not expected that we and the Operating Partnership will meet the definition of "investment company" under Section 3(a)(1)(A), since neither we nor the Operating Partnership will hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities. It is intended that both we and the Operating Partnership conduct our operations so that they comply with the limits imposed by the 40% test such that neither meets the definition of "investment company" under Section 3(a)(1)(C). The securities issued to the Operating Partnership by any majority-owned subsidiaries that we may form in the future that are excluded from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with

any other investment securities the Operating Partnership may itself own, may not have a value in excess of 40% of the value of the Operating Partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test.

The determination of whether an entity is a majority-owned subsidiary of its immediate parent company will be made by us. The Investment Company Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person. The Investment Company Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We will treat companies in which we own at least 50% of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We have not requested the SEC or its staff to approve the treatment of any company as a majority-owned subsidiary and the SEC and its staff have not done so. If the SEC or its staff were to disagree with our treatment of one or more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to comply with (and hold investment securities below the limit imposed by) the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

We may in the future organize special purpose subsidiaries of the Operating Partnership that will rely on Section 3(c)(7) for their Investment Company Act exclusion and, therefore, the Operating Partnership's interest in each of these subsidiaries would constitute an investment security for purposes of determining whether the Operating Partnership complies with the 40% test. However, it is expected that most of our majority-owned subsidiaries will not meet the definition of investment company or, if they meet that definition, they will not rely on the exclusions under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. Consequently, it is expected that our interests in these subsidiaries (which will constitute a substantial majority of our assets) will not constitute "investment securities" and we will be able to conduct our operations so that we are not required to register as an investment company under the Investment Company Act.

One or more of our subsidiaries may seek to qualify for an exclusion from registration as an investment company under the Investment Company Act pursuant to Section 3(c)(5)(C) of the Investment Company Act, which is available for entities that, among other things, are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion, as interpreted by the staff of the SEC, generally requires that at least 55% of an entity's portfolio be comprised of "qualifying interests" and an additional 25% of the entity's portfolio be comprised of real estate-related interests, although this percentage may be reduced to the extent that more than 55% of the entity's assets are invested in qualifying interests. "Qualifying interests" for this purpose include actual interests in real estate, mortgage loans and other liens actually backed by real estate. It is intended that we will treat the following as real estate-related interests: non-agency residential mortgage-backed securities; commercial mortgage-backed securities, debt and equity securities of companies primarily engaged in real estate businesses; agency partial pool certificates and securities issued by pass-through entities of which substantially all of the assets consist of qualifying interests; and/or real estate-related assets. Although we will monitor our portfolio periodically and prior to each investment acquisition, there can be no assurance that we will be able to maintain this exclusion from registration for its subsidiaries.

In addition, we, the Operating Partnership and/or our or the Operating Partnership's subsidiaries may rely upon other exclusions, including the exclusion provided by Section 3(c)(6) of the Investment Company Act (which excludes, among other things, parent entities whose primary business is conducted through majority-owned subsidiaries relying upon the exclusion provided by Section 3(c)(5)(C) (discussed above)), from the definition of an investment company and the registration requirements under the Investment Company Act.

Qualification for exclusion from registration under the Investment Company Act could limit our ability to make certain investments. For example, these restrictions will limit the ability of a subsidiary seeking to rely on the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset backed securities and real estate companies, in securities that the staff of the SEC has deemed not to be qualifying interests or in assets not related to real estate.

There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs (and/or their subsidiaries), including actions by the SEC or the SEC staff providing more specific or different guidance regarding these exclusions, will not change in a manner that adversely affects our operations. For example, on August 31, 2011, the SEC issued a concept release requesting comments regarding a number of matters relating to the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act, including the nature of assets that qualify for purposes of the exclusion and whether mortgage REITs should be regulated in a manner similar to investment companies. Although the SEC and its staff have not taken any action as a result of such public comment process, to the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon such exclusions, or other exclusions from the definition of Investment Company Act upon which we may rely, we may be required to change the way we conduct our business or adjust our strategy or the activities of our subsidiaries accordingly. Any additional guidance from the SEC staff could provide us additional flexibility, or it could further inhibit our ability to pursue the strategies we have chosen.

If we meet the definition of an investment company under the Investment Company Act and we fail to qualify for an exclusion therefrom, our ability to use leverage, engage in transactions with our affiliates, and certain other business strategies would be substantially reduced, and our business will be materially and adversely affected if we fail to qualify for an exclusion from regulation under the Investment Company Act. If we did become an investment company, we might be required to revise some of our policies to comply with the Investment Company Act. This would require us to incur the expense and delay of holding a stockholder meeting to vote on proposals for such changes.

INVESTMENTS IN REAL ESTATE AND REAL ESTATE-RELATED INVESTMENTS

Overview

We acquire, develop, and own well-located multifamily properties across the United States. The Sponsor and its affiliates are long-term holders of real estate who value both consistent cash flow and capital appreciation, and we invest in properties and markets that provide both. At the core of our investment thesis is the fundamental belief that:

- housing is a necessity that will always be in demand;
- apartments are an essential housing option in the U.S. as approximately one-third of all Americans rent;
- long-term, multifamily investments with fixed-rate debt at reasonable leverage levels provide outsized risk-adjusted returns; and
- multifamily ownership is an excellent inflation hedge since the short-term nature of apartment leases allows rents to increase more quickly with inflation.

We utilize geographic diversity as a tool for risk mitigation. We seek to acquire and develop properties in high growth major metropolitan and suburban submarkets or larger cities in areas throughout the United States. We own, in whole or in part, 17 communities in eight states ranging from the Southeast to the Pacific Northwest.

We believe that the communities constituting our portfolio are characterized by their great locations, professional management, well-maintained exteriors, high quality interior finishes, and often include amenities such as swimming pools, clubhouses, fitness centers, and dog parks. The properties have historically exhibited stable occupancy rates and resident bases. Although many of the communities have the potential for value-add renovations, our strategy is not reliant upon renovations to achieve its investment goals. That said, in appropriate risk-adjusted circumstances, we may choose to reposition our assets through capital expenditures.

We endeavor to partner with best-in-class, third-party property management firms with significant concentration in their markets. Accordingly, we leverage the size and scale of our management partners to access an already cultivated, deep pool of employee talent, as well as obtain superior pricing and service from vendors, which would not normally be available to us. We use revenue management software at all our communities, allowing rents to re-price daily and outpace inflation.

Our Portfolio

We own, in whole or in part, 17 multifamily properties. The following table provides additional information as of June 30, 2023 about the properties which now compromise our portfolio.

Property Name	City/State	Year Built/ Renovated	Year Acquired [1]	Number of Units	Percent Leased[2]	Resident Retention/ Turnover[3]	Average Rent/Month	Revenue[3]	Expenses[3]	NOI[3]
Parkway Grand	Decatur, GA	2000	2017	313	89.1%	51%	$1,482	$2,438,039	$1,221,350	$1,216,689
Twenty25 Barrett	Kennesaw, GA	2013	2021	238	97.1%	67%	$1,762	$2,587,724	$916,045	$1,671,679
Cross Creek Cove	Fayetteville, NC	1984/1994	2018	265	93.6%	70%	$937	$1,487,650	$627,577	$860,072
Treybrooke at the Park	Morrisville, NC	1989/2017	2017	200	94.5%	71%	$1,562	$1,827,622	$662,981	$1,164,641
Woods Edge	Asheville, NC	1986/2016	2017	120	95.0%	58%	$1,359	$965,512	$390,961	$574,551
Vinings at Carolina Bays[4]	Myrtle Beach, SC	2014	2016	264	92.4%	50%	$1,559	$2,512,912	$939,246	$1,573,666
Canyon Club	Plainfield, IN	2012	2016	206	95.6%	65%	$1,464	$1,835,376	$793,960	$1,041,417
Central High	South Bend, IN	1911/1995	2013	105	94.3%	67%	$1,177	$765,037	$432,837	$332,200
Stephenson Mill	South Bend, IN	1911/1995	2013	39	94.9%	71%	$1,379	$369,066	$198,340	$170,726
Coolidge Place	East Lansing, MI	1973/2014	2016	186	96.2%	81%	$1,395	$1,573,590	$757,701	$815,889
Lakes of Holland	Holland, MI	1997/2015	2016	97	95.9%	53%	$1,636	$918,768	$403,178	$515,589
The View	Portage, MI	1981/2017	2018	304	95.4%	61%	$1,285	$2,358,892	$1,078,296	$1,280,596
The Vista	Portage, MI	1995/2017	2018	188	95.7%	69%	$1,457	$1,644,786	$708,839	$935,947
Talo	Golden Valley, MN	2018	2016	303	94.7%	48%	$1,938	$3,634,696	$1,656,557	$1,978,139
The Local[5]	Tempe, AZ	2019	2017	286	93.4%	54%	$2,086	$4,155,110	$801,591	$3,353,519
The Diplomat	Silverdale, WA	1991/2017	2019	210	96.2%	72%	$1,860	$2,491,726	$872,073	$1,619,653
The Knol	Kent, WA	1985/2019	2020	215	91.6%	58%	$1,629	$2,156,004	$879,142	$1,276,862
Total				**3,539**	**94.2%** [2]	**62%**	**$1,556**	**$33,722,509**	**$13,340,675**	**$20,381,834**

(1) Year Acquired refers to the year the property was acquired by our Sponsor or its affiliates. We acquired each property in the third quarter of 2023 in connection with the roll-up transaction described above.
(2) Percent leased is calculated as total occupied units/total units.
(3) Resident Retention/Turnover, Revenue, Expenses, and NOI are 2023 Year-to-Date figures.
(4) Forum holds a 90.8240% economic interest in Vinings at Carolina Bay as a tenant in common.
(5) The Local is subject to a lease whereby the Company leases the land from the City of Tempe, Arizona. Upon expiration of the lease term or earlier termination, there will be automatic conveyance of the property in fee simple to the Company.

Geographic Concentration

The following table sets forth information as of June 30, 2023 regarding the geographic concentration of the properties which now compromise our portfolio.

Region	Number of Properties	Number of Units	Percent Leased[(1)]	Resident Retention/Turnover	Average Rent/Month	Revenue[(2)]	Expenses[(2)]	NOI[(2)]
Midwest	8	1,428	95.4%	63%	$1,505	$13,100,211	$6,029,709	$7,070,502
Southeast	6	1,400	93.2%	61%	$1,442	$11,819,459	$4,758,160	$7,061,299
West	3	711	93.7%	61%	$1,881	$8,802,839	$2,552,806	$6,250,033

(1) Percent leased is calculated as total occupied units/total units.
(2) Resident Retention/Turnover, Revenue, Expenses, and NOI are 2023 Year-to-Date figures.

Outstanding Indebtedness

The table below summarizes our indebtedness.

Description	Balance Outstanding[(1)]	Weighted Average Interest Rate	Weighted Average Maturity
Fixed Rate Mortgages	$377,608,776	3.94%	7.41 years
Floating Rate Mortgages	$37,687,000	3.40%	4.92 years
Total/Average	$415,295,776	3.89%	7.19 years

(1) Balances exclude an $800,000 unsecured note payable to an affiliate of the Sponsor related to Treybrooke at the Park.

The table below displays the indebtedness outstanding as of June 30, 2023 on the properties which now compromise our portfolio.

Property	Maturity Date	Rate Type	Effective Interest Rate[(1)]	Principal Amount as of June 30, 2023
Parkway Grand	October 2032	Fixed	4.29%	$25,120,000
Twenty25 Barrett[(2)]	June 2028	SOFR+2.40%	3.40%	$37,687,000
Cross Creek Cove	September 2030	Fixed	4.37%	$9,915,000
Treybrooke at the Park[(3)]	November 2032	Fixed	4.31%	$21,800,000
Woods Edge	December 2032	Fixed	4.22%	$10,640,000
Vinings at Carolina Bays	September 2025	Fixed	3.81%	$20,716,687
Vinings at Carolina Bays	October 2025	Fixed	4.99%	$2,415,539
Canyon Club at Perry Crossing	July 2028	Fixed	4.13%	$17,880,266
Central High	October 2031	Fixed	3.89%	$10,162,000
Stephenson Mill (Included with Central High)				

Coolidge Place	July 2028	Fixed	4.28%	$14,072,985
Coolidge Place	July 2028	Fixed	5.54%	$2,882,002
Lakes of Holland	September 2028	Fixed	3.82%	$7,942,585
Lakes of Holland	September 2028	Fixed	5.23%	$2,039,712
The View	October 2033	Fixed	4.58%	$21,600,000
The Vista	October 2033	Fixed	4.58%	$15,850,000
Talo	March 2030	Fixed	4.51%	$55,500,000
The Local	June 2031	Fixed	3.21%	$77,000,000
The Diplomat	July 2029	Fixed	3.97%	$33,032,000
The Knol	September 2032	Fixed	2.72%	$29,040,000
Total			3.89%	$415,295,776

(1) Based upon one-month SOFR of 5.06528% as of June 30, 2023.
(2) Based upon a 1% rate cap with an expiration date of June 1, 2024.
(3) Excludes an $800,000 unsecured note payable to an affiliate of the Sponsor.

THE SPONSOR

The information set forth below summarizes the actual performance of investments of Forum and its affiliates. In considering the performance information contained in this Memorandum, prospective investors should bear in mind that past performance of these investments is not necessarily indicative of future results and there can be no assurance that we will achieve comparable results. Investors that purchase shares will not thereby acquire any ownership interest in any of the investments to which the following information relates. The returns to investors in FMREIT may vary from those generated by the investments described below.

Forum is an innovative asset management firm with a real estate backbone and a focus on multifamily real estate investments. As a strategic investor, Forum identifies unique investment opportunities—up and down the capital stack and across market cycles—through which Forum seeks to generate consistent, reliable income and an attractive risk/return profile. Since 2007, Forum, through its affiliates and related parties, including FMREIT, has invested in over 15,700 multifamily units with a total acquisition/development cost of more than $2.5 billion. These figures represent Forum's current and historical direct multifamily portfolio, including stabilized assets, assets that are under construction, assets in lease up and assets that had been sold as of June 30, 2023, but does not include commercial/land projects.

Forum, through its affiliates and related parties, including FMREIT, also invests in real estate debt, including investments of its net assets in a portfolio of commercial real estate loans and other real-estate related investments located in the United States. As of June 30, 2023, Forum, through its affiliates and related parties, has built a real estate debt platform with more than $77.3 million of gross assets under management and $62.4 million of net assets under management. Gross assets under management reflects changes in net asset value and payment of dividends. Net assets under management reduces gross assets under management by fees and expenses as of June 30, 2023.

Additionally, Forum provides targeted capital and structured financing solutions to third-party multifamily and commercial real estate developers, borrowers and owners/operators. Forum's structured finance team has originated $547.7 million of structured finance investments in multifamily assets across the U.S. since 2015 as of June 30, 2023. These figures reflect the structured finance team's historical multifamily portfolio since December 2015 through June 30, 2023. The structured finance team originated $254.7 million prior to joining Forum, and $293.0 million since joining Forum in 2021.

Track Record

FORUM INVESTMENT GROUP **TRACK RECORD** — **SOLD PROPERTIES**[1]

Property - Sold	Sold Date	State	# Units	Acquisition/ Closing Date Date	Acquistion/ Development Cost	Property Sale Amount	Equity Raised[2]	Total Equity Distributions	Cash Yield to Investors (Annualized)[3]	Total Return to Investors (Annualized)[4]
ACQUISITIONS										
Vantage Point Apartments	2/24/15	AR	228	6/5/12	$12,120,000	$11,000,000	$3,320,000	$2,949,317	6.68%	-6.80%
Town Park Apartment Homes	6/23/15	AL	270	4/30/13	$10,788,000	$15,025,000	$2,936,000	$6,562,040	15.34%	56.30%
River Pointe Apartments	9/25/15	OH	160	10/30/12	$5,929,300	$5,750,000	$2,200,000	$3,211,118	12.32%	15.38%
Sky Gate Apartments (fka Hunters West Apartments)	5/11/16	MI	426	9/30/13	$16,878,000	$15,500,000	$6,770,000	$9,809,743	9.55%	16.38%
Seasons Park Apartments (fka Buena Vista Apartments)	9/7/17	MN	422	7/30/13	$27,295,000	$36,000,000	$6,875,000	$13,475,145	11.13%	22.74%
The Retreat at Farmington Hills	9/28/17	MI	424	7/31/12	$21,350,000	$38,200,000	$7,175,000	$19,249,543	10.94%	32.04%
Trivium (fka Buchtel Plaza)	2/27/18	CO	100	10/9/15	$12,470,000	$18,400,000	$3,500,000	$6,308,859	6.14%	34.16%
Ardsley Ridge Townhomes and Apartments	11/7/18	OH	238	4/9/13	$11,024,000	$19,100,000	$3,170,000	$10,736,282	9.48%	40.92%
Inverness Cliffs Apartments	8/22/19	AL	400	8/29/14	$42,230,000	$49,850,001	$10,741,000	$20,090,433	6.97%	16.46%
McCain Park Apartments	11/21/19	AR	320	10/22/13	$19,970,339	$18,862,500	$6,050,339	$5,798,379	2.99%	-2.12%
Veranda at Westchase (fka Viera at Westchase)	6/19/20	FL	390	3/24/15	$54,583,019	$70,450,000	$15,250,000	$31,515,436	7.07%	19.89%
Viera Bayside	6/19/20	FL	208	10/12/16	$21,417,000	$30,800,000	$5,825,000	$12,859,077	9.86%	31.27%
Windsor Lake and Spring Lake Apartments	2/4/21	MS	528	10/5/15	$49,591,286	$52,000,000	$5,754,898	$18,055,792	8.38%	40.03%
Enclave at Breckenridge	6/29/21	KY	376	1/5/17	$35,325,000	$44,000,000	$13,805,000	$20,897,099	8.38%	10.60%
Stonewater Park	6/29/21	KY	236	11/21/16	$21,250,000	$28,250,000				
Village 1	12/22/21	KS	144	6/29/18	$10,295,000	$11,250,000	$2,775,000	$3,591,976	2.91%	7.45%
Township Square	12/29/21	MI	283	1/13/15	$18,316,486	$28,000,000	$5,491,486	$15,370,192	9.57%	25.81%
Township Court	12/29/21	MI	143	5/6/16	$9,012,617	$13,100,000	$2,531,474	$6,025,033	9.08%	23.49%
Van Mark Apartments	12/30/21	MS	300	6/30/17	$30,220,000	$42,000,000	$7,500,000	$18,154,753	10.39%	30.68%
Corner Stone I & II	2/9/22	AL	226	7/10/18	$14,750,000	$19,200,000	$3,750,000	$7,472,379	9.59%	27.66%
The Mark Apartments and Turtle Place Apartments	2/17/22	AL	232	12/10/14	$12,095,345	$21,180,000	$3,075,346	$10,428,377	8.47%	32.26%
Birchwood (fka Woodside Glenn)	2/17/22	AL	184	11/2/15	$7,712,000	$13,960,000	$2,112,000	$6,066,334	8.46%	29.66%
Tuscany at Midtown	2/17/22	AL	234	10/24/16	$12,450,000	$17,850,000	$3,825,000	$8,944,971	10.94%	25.09%
Colony Woods	5/24/22	AL	414	6/28/16	$44,850,000	$71,400,000	$11,050,000	$33,906,064	9.37%	34.97%
Briarwood	11/1/22	NC	273	8/24/18	$14,955,000	$29,000,000	$6,050,000	$18,039,416	7.86%	46.67%
Province of Briarcliff	1/4/23	MO	120	9/14/17	$18,355,000	$23,800,000	$4,275,000	$9,491,550	7.93%	22.90%
DEVELOPMENTS										
Lofts on College	4/10/14	CO	13	11/9/10	$8,477,752	$12,000,000	$2,623,148	$5,398,004	2.96%	30.67%
Two Nine North	7/30/14	CO	238	1/1/12	$64,249,570	$93,500,000	$6,000,000	$21,619,086	0.00%	96.76%
The Logan	9/19/14	CO	57	1/1/12	$9,944,559	$15,500,000	$2,486,000	$5,446,748	4.31%	42.94%
Veranda Highpointe	12/15/15	CO	362	3/1/12	$62,502,209	$105,000,000	$23,900,000	$51,299,008	2.64%	30.09%
Lofts on the Hill	1/1/16	CO	13	3/25/10	$7,624,815	$11,325,000	$2,215,000	$5,093,583	3.67%	16.20%
Residences at Kent Place	7/13/17	CO	300	7/8/13	$88,802,262	$127,400,000	$35,302,262	$59,534,111	1.56%	16.99%
Solhaus	12/12/17	MN	75	1/1/12	$12,388,391	$14,737,050	$3,050,000	$6,411,190	9.18%	17.62%
Solhaus Tower	12/12/17	MN	75	4/28/11	$11,963,613	$12,262,950	$3,026,000	$5,429,164	5.28%	11.11%
TOTAL SOLD MULTIFAMILY PORTFOLIO		—	**8,412**	—	**$821,185,563**	**$1,135,652,501**	**$224,409,953**	**$479,240,199**	**6.44%**	**25.58%**

1.Figures represent Forum's direct multifamily portfolio as of June 30, 2023. Does not include commercial/land projects.

2.Equity Raised includes equity raised by or contributed by Forum or a Forum related entity and does not include Forum's co-general partner's equity.

3.Includes Contingent Profit Interest in yield calculation. The calculation for cash yield is as follows: = (Total Operating Distributions-Total Contributions)/(Sale Distribution Date – First Date of Equity Contribution/365). The Total Line uses a weighted average to show the average Cash Yield.

4.Past performance is no guarantee of future results. As with any investment, there is risk of loss. The Total Return To Investors calculation is as follows: =Sum((Total Equity Distributions – the closeout distributions)-Equity Contribution)/Equity Contribution/(Sale Distribution Date-First Date of Equity Contribution)/365). Total Equity Distributions: Includes operational distributions and refinance/special distributions. The Closeout Distributions: Typically, a small amount and varies by time period, therefore is removed for consistency. This is the total nominal return to investors and has not been time weighted. If the Total Return to Investors (Annualized) for sold properties changes quarter-to-quarter, it is due to an adjustment to taxes. The Total Line uses a weighted average to show the average Total Return.

MANAGEMENT

The Board of Directors

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders as fiduciaries. The board of directors retains the Advisor to manage the acquisition and dispositions of our investments, subject to the board of directors' supervision.

We have a total of five directors. Our board of directors may change the number of directors, but not to fewer than the minimum number permitted by the MGCL (or, following the commencement of an initial public offering by us, three directors) nor, unless we amend our bylaws, more than 15. A majority of our directors are independent in accordance with the definition of "independent" established by our charter and, although our shares are not listed on the New York Stock Exchange (the "NYSE"), the standards of the NYSE. The charter defines an independent director as a director who is not and has not for the last two years been associated, directly or indirectly, with the Sponsor or the Advisor. A director will be deemed associated with the Sponsor or the Advisor if he or she:

- owns an interest in the Sponsor, the Advisor or any of their affiliates (other than an interest in an affiliate of us or the Advisor for which the director serves as an independent director, if such interest is not material to the director in relation to such director's income or net worth);
- is employed by the Sponsor, the Advisor or any of their affiliates;
- serves as an officer or director of the Sponsor, the Advisor or any of their affiliates;
- performs services, other than as a director for us;
- serves as a director of more than three REITs organized by the Sponsor or advised by the Advisor; or
- maintains a material business or professional relationship with the Sponsor, the Advisor or any of their affiliates.

The charter sets forth the material business or professional relationships that cause a person to be associated with us and therefore not eligible to serve as an independent director. A business or professional relationship is per se material if the prospective independent director received more than five percent of his or her annual gross revenue in the last two years from the Sponsor, the Advisor or any affiliate of the Sponsor or Advisor, or if more than five percent of his or her net worth, on a fair market value basis, has come from the Sponsor, the Advisor or any affiliate of the Sponsor or Advisor.

Each director will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Although the number of directors may be increased or decreased, a decrease may not shorten the term of any incumbent director. Any director may resign at any time or may be removed with or without cause by the stockholders upon the affirmative vote of stockholders entitled to cast at least a majority of all the votes entitled to be cast generally in the election of directors. The notice of a special meeting called to remove a director must indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed. A vacancy on the board of directors may be filled only by a vote of a majority of the remaining directors, or in the case of election of an independent director following the commencement of an initial public offering by us, after nomination by a majority of the remaining independent directors (if any remaining directors are independent directors). Any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred.

Our board of directors will generally meet quarterly or more frequently if necessary. The directors will not be required to devote all of their time to us and will only be required to devote the time as their duties may require. Consequently, in the exercise of their fiduciary responsibilities, the directors will rely heavily on the Advisor and on information provided by the Advisor. The directors will have a fiduciary duty to the stockholders to supervise the relationship between us and the Advisor. The board of directors will be empowered to fix the compensation of all officers and approve the payment of compensation to directors for services rendered.

The board of directors has adopted written policies on investments and borrowings. The board of directors may revise these policies or establish further written policies on investments and borrowings and will monitor our administrative procedures, investment operations and performance to ensure that the policies are fulfilled and are in the best interests of our stockholders. The board of directors, including a majority of the independent directors, will review our investment policies with sufficient frequency, and, following the commencement of an initial public offering by us, at least annually, to determine that they are in the best interest of our stockholders.

Directors and Executive Officers

Our directors and executive officers are set forth below.

Name	Age	Position
Darren Fisk	49	Chief Executive Officer, Director
Jay Miller	57	President
Paul McAuliffe	67	Chief Financial Officer, Treasurer
Edie Suhr	53	Chief Operating Officer, General Counsel and Corporate Secretary
Michael Bell	60	Director
Brien Biondi	61	Independent Director
Patti Fielding	60	Independent Director
Jay Hummel	43	Independent Director

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The following are biographical summaries of the experience of our directors, executive officers and certain other officers. The leadership team behind Forum Investment Group LLC has an average of approximately 25 years of experience in real estate acquisitions, development, finance, structured finance, commercial real estate-backed securities, and active portfolio management.

Darren Fisk has served as the Chief Executive Officer of the Company since May 2023 and a Director of the Company since October 2022. Mr. Fisk also serves as the Chief Executive Officer and Chief Investment Officer of the Sponsor and has served in this role at various affiliates of the Sponsor since founding Forum Real Estate Group, LLC, an affiliate of the Sponsor, in 2007. In this role, Mr. Fisk is responsible for the Sponsor's business strategies regarding multifamily acquisition and development investments and real estate debt solutions for multifamily owners, operators, and developers. Mr. Fisk serves as the head of two investment committees, oversees the firm's investor relations, and works closely with the company's operations and development teams to execute company strategy. Mr. Fisk holds a B.S. in Finance from the University of Colorado – Boulder.

Mr. Fisk is a valuable member of the board of directors because of his vast real estate experience and his history and leadership within the Sponsor's real estate business.

Jay Miller has served as President of the Company since May 2023. Mr. Miller also has served as the Chief Investment Officer of Forum Capital Advisors LLC ("Forum Capital Advisors"), an affiliate of the Sponsor, since January 2023. In this role, Mr. Miller oversees Forum Capital Advisors' real estate investment team, chairs the firm's investment committees, and is responsible for driving the firm's continued growth through multifamily equity and debt investment opportunities. Prior to his current role, Mr. Miller was Managing Director at DWS Group ("DWS"), a global asset management firm, from 2006 to 2022. In this role, Mr. Miller was co-lead portfolio manager of DWS's flagship open-ended investment fund and portfolio manager of DWS's value-add investment fund. Before that, Mr. Miller was Executive Director, Corporate Solutions at Jones Lang LaSalle Incorporated, a global real estate services firm, from 1999 to 2006. Mr. Miller holds a B.A. in English and Religious Studies from the University of Virginia and a J.D. from Washington and Lee University.

Paul McAuliffe has served as the Chief Financial Officer and Treasurer of the Company since April 2023. Mr. McAuliffe also serves as the Chief Financial Officer of the Sponsor. In this role, Mr. McAuliffe is responsible for all financial aspects of the firm's strategic and real estate activities. Mr. McAuliffe has oversight over all finance, tax, capital planning, banking, and reporting functions for the company's businesses and products. Prior to joining the Sponsor, from 2018 to 2022, Mr. McAuliffe was Executive Vice President and Chief Financial Officer of Bye Aerospace, Inc., where he was responsible for all aspects of the company's financial management. Before that, he was Executive Vice President and Chief Financial Officer of Apartment Investment and Management Company ("AIMCO"), a publicly-traded REIT, from 1999 to 2006. In this role, he was responsible for much of the firm's day-to-day operations, with a focus on finance and planning, capital markets, accounting, financial reporting, investor relations, and lender relations. Prior to these roles, Mr. McAuliffe worked in various positions in real estate investment banking at Morgan Stanley, CS First Boston, Smith Barney, and Secured Capital Corp., from 1983 to 1999. Mr. McAuliffe holds a B.A. from Columbia University and a M.B.A. from the Darden School of the University of Virginia.

Edie Suhr has served as served as Chief Operating Officer, General Counsel and Corporate Secretary of the Company since April 2023. Ms. Suhr also serves as the Chief Operating Officer and General Counsel of the Sponsor. In this role, Ms. Suhr is responsible for the day-to-day operations of the Sponsor and its direct real estate businesses. Ms. Suhr's oversight of real estate transactions includes the development, acquisition, operation, disposition and financing of multifamily real estate projects. Prior to joining the Sponsor, Ms. Suhr was a co-founder, President and partner at Fisher & Suhr P.C. from 2010 to 2022. In this role, she specialized in commercial real estate transactions and served as external counsel to the Sponsor. Ms. Suhr also served on the Advisory Board of another multifamily real estate investment company from December 2020 to April 2022. Ms. Suhr holds a B.A. from Loyola Marymount University, and a J.D. from Southwestern University School of Law.

Michael Bell has served as a director of the Company since May 2023. Previously, Mr. Bell served on the Sponsor's Advisory Board and was an independent trustee for Forum Real Estate Income Fund from 2016 to 2022. Since 2019, Mr. Bell has served as the trustee and Managing Director of Primark Capital, an investment management firm founded by Mr. Bell, which provides retail investors with private equity investment opportunities. Mr. Bell was also the Chief Executive Officer of Global Financial Private Capital from 2016 to 2019. Mr. Bell holds a B.S. in Commerce from the University of Virginia, and a J.D. from West Virginia University.

Mr. Bell is a valuable member of the board of directors because of his extensive executive experience and experience managing investments.

Brien Biondi has been a member of our board of directors since May 2023. Mr. Biondi has served as Chief Executive Officer of Campden Wealth, North America, a business providing knowledge and networking opportunities to family businesses, family offices, and private investors world-wide, since 2016. Since 2016, Mr. Biondi has also served as the Chief Executive Officer of the Institute for Private Investors, a preeminent membership network providing investment education to ultra-high-net-worth families running sophisticated family offices. Since 2011, Mr. Biondi has also operated the Biondi Group, a business development and private investment company. Prior to these roles, Mr. Biondi was the Chief Operating Officer at League Asset Corp, a private REIT based in Canada, from 2009 to 2011. Mr. Biondi was also the Executive Director of Chief Executives' Organization from 2004 to 2007. Mr. Biondi has also served as an independent trustee of Forum Real Estate Income Fund since 2022 and as an independent trustee of Primark Capital since 2020. Mr. Biondi holds a B.S. in Business Administration from American University and a M.B.A. from the Raymond A. Mason School of Business at the College of William & Mary.

Mr. Biondi is a valuable member of our board of directors because of his extensive executive experience, including having served as an executive of a private REIT.

Patti Fielding has been a member of our board of directors since May 2023. Ms. Fielding is the founder of Fielding Advisory, a consulting firm specialized in advising equity and debt investors on real estate transactions in the United States. Prior to this role, Ms. Fielding served in a number of executive management roles such as President of AIMCO Investment Partners and Executive Vice President, Debt, Securities, and Capital Markets at AIMCO, a publicly-traded REIT, from 1997 to 2021. Ms. Fielding was also the Chair of the AIMCO investment committee. From 1996 to 1997, Ms. Fielding was Vice President at Hanover Capital Partners, Ltd., a private equity company specializing in residential, commercial, and resort land development. Prior to that, from 1993 to 1995, Ms. Fielding was Vice Chair, Chief Operating Officer, and Principal at Cap Source Funding Corp., where she oversaw management of the underwriting, closing, and securitization departments. Ms. Fielding was Group Vice President at Duff and Phelps Credit Rating Co. from 1987 to 1993, where she managed teams in the commercial real estate group. Ms. Fielding holds an A.A. in Property Assessment from Waukesha County Technical College and a B.A. in Business from Cardinal Strich College.

Ms. Fielding is a valuable member of the board of directors due to her extensive experience in the real estate industry, including having served for more than 20 years on the executive management team of a public REIT.

Jay Hummel has been a member of our board of directors since May 2023. Mr. Hummel is the co-founder and Chief Executive Officer of Wealth Advisor Growth Network and AiK2 Insurance Services. Prior to this role, Mr. Hummel was Senior Vice President and Head of the Personal Financial Solutions Business at American Century Investments from 2016 to 2019, where he was responsible for strategic and operational leadership of the business unit, overseeing a stand-alone brokerage, direct mutual fund, private client and small business solutions, and the retail branch network. He also served as the Managing Director for Strategic Projects and Thought Leadership at Envestnet Inc. from 2014 to 2016. Previously, Mr. Hummel was the former President and Chief Operating Officer of Lenox Wealth Management, a Cincinnati-based multi-family office and started his career in accounting and consulting at Deloitte & Touche from 2000 to 2006. Mr. Hummel was a former board member at Alliance Business Lending from 2011 to 2013, where he was Chair of the audit committee. He was also a board member at Compass CFO Solutions from 2020 to 2021. Hummel holds a B.B.A. and M.S. in Accounting from the University of Cincinnati.

Mr. Hummel is a valuable member of the board of directors due to his extensive business and financial experience, as well as the skills he gained during his active board service to a number of diverse organizations.

Committees of the Board of Directors

The board of directors has established three standing committees: an audit committee, a nominating and corporate governance committee and a conflicts committee. The principal functions of each committee are described below. Additionally, the board of directors may from time to time establish certain other committees to facilitate our management. Further, the board of directors may delegate responsibilities with respect to certain investment, disposition, leasing, capital expenditure, borrowing and refinancing decisions to committees of the Advisor.

Audit Committee

The audit committee is comprised of three members: Brien Biondi, Patti Fielding and Jay Hummel. Jay Hummel serves as chair of the audit committee and as the audit committee financial expert. We have adopted an audit committee charter, which details the principal functions of the audit committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of the independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

The audit committee is also responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is comprised of three members: Brien Biondi, Patti Fielding and Jay Hummel. Brien Biondi serves as chair of the nominating and corporate governance committee. We have adopted a nominating and corporate governance committee charter, which details the principal functions of the nominating and corporate governance committee, including:

- identifying and recommending to the board of directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;
- developing and recommending to the board of directors corporate governance guidelines and implementing and monitoring such guidelines;

- determining annually that the independent directors meet the definition of "independent directors" under our charter;
- reviewing and making recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;
- recommending to the board of directors nominees for each committee of the board of directors;
- annually facilitating the assessment of the board of directors' performance as a whole and of the individual directors, as required by applicable law, regulations and the applicable corporate governance listing standards; and
- overseeing the board of directors' evaluation of management.

In identifying and recommending nominees for directors, the nominating and corporate governance committee may consider diversity of relevant experience, expertise and background.

Conflicts Committee

The conflicts committee is comprised of three members: Brien Biondi, Patti Fielding and Jay Hummel. Patti Fielding serves as chair of the conflicts committee. Our board of directors delegates to the conflicts committee the responsibility to review any related party transactions. The conflicts committee reviews the relevant facts and circumstances of each related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party before approving such transaction. In addition, the conflicts committee is responsible for considering and resolving all conflicts that may arise between us and other entities or programs sponsored or advised by affiliates of the Sponsor. Such conflicts may arise as a result of the investment allocation methodology that the Advisor utilizes for allocating investment opportunities that are suitable for both us and other entities or programs sponsored or advised by affiliates of the Sponsor.

Corporate Governance

The board of directors has established a code of business conduct and ethics that applies to all employees and officers of the Advisor, and the employees (if any), officers and directors of the Company. Among other matters, the code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in the SEC reports and other public communications;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Any waiver of the code of business conduct and ethics for the executive officers or directors must be approved by a majority of the independent directors, and any such waiver shall be promptly disclosed as required by law.

Compensation of Directors

We pay each of our independent directors $12,500 per quarter. In addition, the Chairperson of our Audit committee is paid an annual retainer of $10,000, to be prorated for a partial term. In connection with their election or re-election to our board of directors, each independent director also will receive an annual equity award with an aggregate grant value on the date of grant of $50,000, which will be in the form of a restricted stock award that will vest upon the earlier to occur of (i) one year after the date of grant and (ii) his or her re-election to our board following the date of grant. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attending meetings of our board of directors or of our committees. If a director is also one of our officers, we will not pay additional compensation for services rendered as a director.

Executive Compensation

Because the Advisory Agreement provides that the Advisor will assume principal responsibility for managing our affairs, we have no employees, and our executive officers, in their capacities as such, do not receive compensation from us, nor do they work exclusively on our affairs. In their capacities as officers or employees of the Advisor or its affiliates, they will devote such portion of their time to our affairs as is required for the performance of the duties of the Advisor under the Advisory Agreement. The compensation received by the executive officers is not paid or determined by us, but rather by an affiliate of the Advisor based on all of the services provided by these individuals.

Although we do not pay the executive officers any cash compensation, we pay the Advisor the fees described in “The Advisor and The Advisory Agreement—The Advisory Agreement.”

THE ADVISOR AND THE ADVISORY AGREEMENT

General

We are externally managed by FMREIT Advisors, a subsidiary of the Sponsor. We rely on the Advisor to manage our day-to-day activities and to implement our investment strategy. We, the Operating Partnership and the Advisor have entered into an advisory agreement pursuant to which the Advisor will perform its duties and responsibilities as a fiduciary of us and our stockholders (the "Advisory Agreement").

The Advisory Agreement

Our board of directors at all times has oversight and policy-making authority, including responsibility for governance, financial controls, compliance and disclosure with respect to us. Pursuant to the Advisory Agreement, our board of directors delegates to the Advisor the authority to source, evaluate and monitor our investment opportunities and make decisions related to the acquisition, management, financing and disposition of our assets, in accordance with our investment objectives, guidelines, policies and limitations, subject to oversight by our board of directors.

Services

Pursuant to the terms of the Advisory Agreement, the Advisor is responsible for, among other things:

- serving as an advisor to us and the Operating Partnership with respect to the establishment and periodic review of our investment guidelines and our and the Operating Partnership's investments, financing activities and operations;
- sourcing, evaluating and monitoring our and Operating Partnership's investment opportunities and executing the acquisition, management, financing and disposition of our and the Operating Partnership's assets, in accordance with our investment guidelines, policies and objectives and limitations, subject to oversight by our board of directors;
- with respect to prospective acquisitions, purchases, sales, exchanges or other dispositions of investments, conducting negotiations on our and the Operating Partnership's behalf with sellers, purchasers, and other counterparties and, if applicable, their respective agents, advisors and representatives, and determining the structure and terms of such transactions;
- providing us with portfolio management and other related services;
- serving as our advisor with respect to decisions regarding any of our financings, hedging activities or borrowings;
- engaging and supervising, on our and the Operating Partnership's behalf and at our and the Operating Partnership's expense, various service providers;
- assisting our board of directors in developing, overseeing, implementing and coordinating the monthly NAV procedures; and
- providing information about our properties and other assets and liabilities to an independent valuation advisor and other parties involved in determining the monthly NAV.

The above summary is provided to illustrate the material functions which the Advisor performs for us, and it is not intended to include all of the services which may be provided to us by the Advisor or third parties.

Term and Termination Rights

The Advisory Agreement has a one-year term, subject to renewals by our board of directors for an unlimited number of successive one-year periods. Our independent directors will evaluate the performance of the Advisor before renewing the Advisory Agreement. The Advisory Agreement provides that the Agreement may be terminated:

- immediately by the Advisor upon a change of control event of the REIT;
- immediately by us (1) for "cause," (2) upon the bankruptcy of the Advisor or (3) upon a material breach of the Advisory Agreement by the Advisor;
- upon 60 days' written notice by us without cause or penalty upon the vote of a majority of our independent directors; or
- upon 60 days' written notice by the Advisor.

"Cause" means fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor under the Advisory Agreement.

In the event the Advisory Agreement is terminated, the Advisor will be entitled to receive its prorated asset management fee through the date of termination. In addition, upon the termination or expiration of the Advisory Agreement, the Advisor will cooperate with us and take all reasonable steps requested to assist our board of directors in making an orderly transition of the advisory function.

Fees and Expense Reimbursements

Asset Management Fee. As compensation for its services provided pursuant to the Advisory Agreement, we will pay the Advisor an annual asset management fee equal to 1.25% of the aggregate NAV of the outstanding Class T, Class S, Class D and Class I shares and Class T, Class S, Class D and Class I OP Units (to the extent such OP Units are owned by persons other than us) and 0.75% of the aggregate NAV of the outstanding Class C and Class F shares and Class C and Class F OP Units (to the extent such OP Units are owned by persons other than us), payable monthly. In calculating the asset management fee, we will use our NAV before giving effect to accruals for the asset management fee, performance participation allocation, distribution fees (if any) or distributions payable on the Fund Interests.

The asset management fee may be paid, at the Advisor's election, in cash, shares of common stock or OP Units; provided that it cannot be paid in Class F shares or Class F OP Units. To the extent that the Advisor elects to receive any portion of its asset management fee in shares of common stock or OP Units, the Advisor may elect to have us or the Operating Partnership redeem such shares or OP Units, respectively, from the Advisor at a later date, and any such redemption request with respect to shares and OP Units obtained by the Advisor in lieu of a cash asset management fee will not be subject to any reductions or penalties for early redemption or any limitations on redemption imposed on other holders of shares or OP Units under our share redemption program or the OP Agreement, respectively.

Performance Participation Allocation. So long as the Advisory Agreement has not been terminated, the Special Limited Partner will hold an interest in the performance participation allocation from the Operating Partnership that entitles it to receive an allocation from the Operating Partnership equal to 12.5% of the Total Return, subject to a 5% Hurdle Amount and a loss carryforward, with a catch-up. If the performance participation allocation is earned for a particular year, the holders of Class F shares and Class F OP Units will be allocated a pro rata portion of the Aggregate Class F Percentage Interest.

Acquisition Fees and Expenses. We do not intend to pay the Advisor any acquisition, financing or other similar fees in connection with making investments. However, an affiliate of the Advisor may be entitled to receive fees in connection with the development or construction of a property ("Development Fee") as well as reimbursement for expenses incurred in connection with the selection, evaluation, structuring, acquisition, origination, financing and development of any assets ("Acquisition Expenses"). It is expected that the Development Fee will be equal to 4% of the total project cost of each development property, excluding the cost of the land and the Development Fee itself.

Expense Reimbursements. Under the Advisory Agreement, and subject to the limitations described below under "—Reimbursement of Total Operating Expenses by the Advisor," our Advisor is entitled to reimbursement of all costs and expenses incurred by it or its affiliates on our behalf, provided that the Advisor is responsible for the expenses related to any and all personnel of the Advisor who provide investment advisory services to us pursuant to the Advisory Agreement (including, without limitation, each of our executive officers and any directors who are also directors, officers or employees of the Advisor or any of its affiliates), including, without limitation, salaries, bonus and other wages, payroll taxes and the cost of employee benefit plans of such personnel, and costs of insurance with respect to such personnel. Without limiting the generality of the foregoing, costs eligible for reimbursement include out-of-pocket costs and expenses the Advisor incurs in connection with the services it provides to us related to (1) organization and offering expenses, subject to the deferral described below under "Reimbursement of Organization and Offering Expenses," (2) Acquisition Expenses, whether or not such investments are acquired, (3) fees, costs and expenses in connection with the issuance and transaction costs incident to the trading, settling, disposition and financing of any investment, (4) the actual cost of goods and services used by us and obtained from persons unaffiliated with the Advisor, other than Acquisition Expenses, including brokerage fees paid in connection with the purchase and sale of any securities, interest and other costs for borrowed money, (5) taxes, (6) insurance for our directors and officers, (7) managing and operating assets owned by us, (8) compensation paid to the independent directors and expenses related to meetings of the directors and stockholders, (9) distributions to be made by us to the stockholders, (10) organizing, revising, amending, converting, modifying, or terminating us or our charter, (11) communications with stockholders, including the cost of preparation, printing, and mailing annual reports and other stockholder reports, proxy statements and other reports required by governmental entities, (12) audit, accounting and legal fees and other fees for professional services relating to our operations, (13) out-of-pocket costs for us to comply with all applicable laws, regulations and ordinances, (14) any other expenses incurred by the Advisor or its affiliates in the performance of the Advisor's duties under the Advisory Agreement, and (15) all personnel and related employment costs and overhead expenses incurred by the Advisor and its affiliates related to non-investment advisory services rendered to us by the Advisor or its affiliates in accordance with the terms of the Advisory Agreement, including, without limitation, total compensation, benefits, and other overhead (including, but not limited to, allocated rent paid to both third parties and an affiliate of the Advisor, equipment, utilities, insurance, travel and entertainment, and other costs).

Reimbursement of Organization and Offering Expenses

The Advisor has agreed to advance all of our organization and offering expenses on our behalf through December 31, 2024. We will reimburse the Advisor for all of the foregoing advanced expenses ratably over the 60 months following December 31, 2024. After December 31, 2024, we will reimburse the Advisor for any additional offering expenses that it incurs on our behalf as and when incurred. Our aggregate organization expenses incurred prior to the commencement of this offering in connection with our formation and the formation of the Operating Partnership pursuant to the roll-up transaction are equal to approximately $8.5 million.

Reimbursement by the Advisor. Commencing four fiscal quarters after the commencement of an initial public offering by us, the Advisor will reimburse us for any expenses that cause our Total Operating

Expenses (defined below) in any four consecutive fiscal quarters to exceed the greater of: (1) 2% of our Average Invested Assets (defined below) or (2) 25% of our Net Income (defined below). To the extent that we reimburse the Advisor for expenses exceeding such limit, the Advisor will be required to repay us for such expenses or, at our option, such expenses may be subtracted from Total Operating Expenses reimbursed during the subsequent fiscal quarter.

Notwithstanding the foregoing, to the extent that our Total Operating Expenses exceed these limits and the independent directors determine that the excess expenses were justified based on unusual and nonrecurring factors that they deem sufficient, the Advisor would not be required to reimburse us. For the purpose of these limits on compensation:

- "Total Operating Expenses" are all costs and expenses paid or incurred by us, as determined under GAAP, including the asset management fee and the performance participation allocation, but excluding: (i) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and listing of our common stock, (ii) property level expenses incurred at, or allocated to, each property, (iii) interest payments, (iv) taxes, (v) non-cash expenditures such as depreciation, amortization and bad debt reserves, (vi) incentive fees, if any, paid in compliance with our charter, (vii) acquisition fees and acquisition expenses related to the selection and acquisition of assets, whether or not a property is actually acquired, (viii) real estate commissions on the sale of property and (ix) other fees and expenses connected with the acquisition, disposition and ownership of real estate interests, mortgage loans or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

- "Average Invested Assets" means, for any period, the average of the aggregate book value of our assets, invested, directly or indirectly, in equity interests in and loans secured by real estate, including all properties, mortgages and real estate-related securities and consolidated and unconsolidated joint ventures or other partnerships, before deducting depreciation, amortization, impairments, bad debt reserves or other non-cash reserves, computed by taking the average of such values at the end of each month during such period.

- "Net Income" means, for any period, total revenues applicable to such period, less the total expenses applicable to such period other than additions to, or allowances for, non-cash charges such as depreciation, amortization, impairments and reserves for bad debt or other similar non-cash reserves.

Independent Directors' Review of Compensation. Our independent directors will evaluate at least annually whether the compensation that we contract to pay to the Advisor is reasonable in relation to the nature and quality of services performed and that such compensation is within the limits prescribed by our charter. Our independent directors will supervise the performance of the Advisor and the compensation we pay to it to determine that the provisions of the Advisory Agreement are being carried out. This evaluation will be based on the factors set forth below, as well as any other factors deemed relevant by the independent directors:

- the amount of fees paid to the Advisor in relation to the size, composition and performance of our assets;

- success of the Advisor in generating opportunities that meet our investment objectives;

- rates charged to other REITs and to investors other than REITs by advisors performing the same or similar services;

- additional revenues realized by the Advisor and its affiliates through their relationship with us (including the performance participation allocation paid to the Special Limited Partner);
- the quality and extent of services and advice furnished by the Advisor;
- the performance our assets, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and
- the quality of our assets relative to the investments generated by the Advisor for its own account.

In addition to the asset management fee, performance participation allocation and expense reimbursements, we will indemnify and hold harmless the Advisor and its affiliates performing services for us from specific claims and liabilities arising out of the performance of their obligations under the Advisory Agreement, subject to certain limitations. See "—Limited Liability and Indemnification of Directors, Officers, the Advisor and Other Agents" below.

Limited Liability and Indemnification of Directors, Officers, the Advisor and Other Agents

Our organizational documents generally limit the personal liability of its stockholders, directors and officers for monetary damages and require us to indemnify and advance expenses to our directors, officers and the Advisor and any of its affiliates acting as our agents subject to the limitations of Maryland law. Maryland law permits a corporation to include in its charter a provision limiting the liability of directors and officers to the corporation and its stockholders for money damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL allows directors and officers to be indemnified against judgments, penalties, fines, settlements and reasonable expenses actually incurred in connection with a proceeding unless the following can be established:

- an act or omission of the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by the corporation or in its right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. The MGCL permits a corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

In addition to the above limitations of the MGCL, our charter provides that, following the commencement of an initial public offering by us, our directors, the Advisor and its affiliates may be indemnified for losses or liability suffered by them or held harmless for losses or liability we suffer only if all of the following conditions are met:

- the indemnitee determined, in good faith, that the course of conduct which caused the loss or liability was in our best interest;
- the indemnitee was acting on our behalf or performing services for us;
- in the case of affiliated directors, the Advisor or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification; and
- in the case of our independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification.

In addition, any indemnification or any agreement to hold harmless is recoverable only out of our net assets and not from our stockholders.

Our charter also provides that, following the commencement of an initial public offering by us, we may not provide indemnification to a director, the Advisor or any affiliate of the Advisor for any loss, liability or expense arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met:

- there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the party seeking indemnification;
- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to such party; or
- a court of competent jurisdiction approves a settlement of the claims against such party and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which our securities were offered or sold as to indemnification for violations of securities laws.

Finally, our charter provides that, following the commencement of an initial public offering by us, we may pay or reimburse reasonable legal expenses and other costs incurred by our directors, the Advisor and its affiliates in advance of final disposition of a proceeding only if all of the following are satisfied:

- the proceeding relates to acts or omissions with respect to the performance of duties or services on our behalf;
- the indemnitee provides us with written affirmation of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification;
- the legal proceeding was initiated by a third party who is not a stockholder or, if by a stockholder acting in his or her capacity as such, a court of competent jurisdiction approves such advancement; and
- the indemnitee provides us with a written agreement to repay the amount paid or reimbursed, together with the applicable legal rate of interest thereon, if it is ultimately determined that he or she did not comply with the requisite standard of conduct and is not entitled to indemnification.

We have entered into indemnification agreements with each of our directors and executive officers. Pursuant to the terms of these indemnification agreements, we will indemnify and advance expenses and costs incurred by our directors and executive officers in connection with any claims, suits or proceedings brought against such directors and executive officers as a result of his or her service. However, our indemnification obligation will be subject to the limitations set forth in the indemnification agreements and in our charter. We also maintain a directors and officers insurance policy.

The general effect to investors of any arrangement under which any of our controlling persons, directors or officers will be insured or indemnified against liability is a potential reduction in distributions resulting from our payment of premiums, deductibles and other costs associated with such insurance or, to the extent any such loss is not covered by insurance, our payment of indemnified losses. In addition, indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals; however, this provision would not reduce the exposure of our directors and officers to liability under federal or state securities laws, nor does it limit our stockholders' ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or our stockholders, although the equitable remedies may not be an effective remedy in some circumstances.

The SEC and certain state securities regulators take the position that indemnification against liabilities arising under the Securities Act and state securities laws is against public policy and unenforceable.

COMPENSATION

The Advisory Agreement provides that the Advisor will assume principal responsibility for managing our affairs and we compensate the Advisor for these services. We do not compensate our officers. The Advisor, through an affiliate, compensates our officers who also serve as officers of the Advisor and of other affiliates. Our officers also may receive additional compensation in the form of direct or indirect equity interests in the Advisor and/or the Special Limited Partner. Set forth below is a summary of the fees and expenses we expect to pay these entities.

Type of Compensation and Recipient	Description and Method of Computation	Estimated Maximum Dollar Amount
Organization and Offering Expense Reimbursement—the Advisor or its Affiliates	We also pay directly, or reimburse the Advisor if they pay on our behalf, any issuer organization and offering expenses as and when incurred. Expenses incurred in connection with this offering may include legal, accounting, printing, mailing and filing fees and expenses, bona fide due diligence expenses of participating broker dealers and investment advisers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of our escrow agent and transfer agent, costs reimbursement for registered representatives of participating broker dealers to attend educational conferences sponsored by us, fees to attend retail seminars sponsored by participating broker dealers, reimbursements for customary travel, lodging, meals and reasonable entertainment expenses, reimbursement of broker dealers for technology, costs and expenses associated with the offering, and costs and expenses associated with the facilitation of the marketing of our shares and ownership of our shares by their participating customers, and other actual costs of registered representatives of the Dealer Manager who are employees of the Advisor or an affiliate of the Advisor, but excluding any upfront selling commissions.	We estimate our offering expenses incurred in connection with this offering to be approximately $1,000,000-1,500,000 if we sell the maximum offering amount. For a discussion of our organization costs incurred prior to the commencement of the offering, see "The Advisor and the Advisory Agreement—The Advisory Agreement—Fee and Expense Reimbursements—Reimbursement of Organization and Offering Expenses"

	The Advisor has agreed to advance all of our organization and offering expenses on our behalf through December 31, 2024. We will reimburse the Advisor for all of the foregoing advanced expenses ratably over the 60 months following December 31, 2024. After December 31, 2024, we will reimburse the Advisor for any additional offering expenses that it incurs on our behalf as and when incurred.	
Acquisition Fees and Expenses—the Advisor and Affiliates of the Advisor	We do not intend to pay the Advisor any acquisition, financing or other similar fees in connection with making investments. However, the Advisor or an affiliate thereof may be entitled to receive fees in connection with the development or construction of a property, which we refer to as a Development Fee, as well as reimbursement for expenses incurred in connection with the selection, evaluation, structuring, acquisition, origination, financing and development of any assets, which we refer to as Acquisition Expenses. It is expected that the Development Fee will be equal to 4.0% of the total project cost of each development property, excluding the cost of the land and the Development Fee itself.	Actual amounts are dependent upon actual expenses incurred and, therefore, cannot be determined at this time.

Asset Management Fee—the Advisor	We and our Operating Partnership pay the Advisor an annual asset management fee, payable monthly, equal to 1.25% of the aggregate NAV of the outstanding Class T, Class S, Class D and Class I shares and Class T, Class S, Class D and Class I OP Units (to the extent such OP Units are not held by us), if any, and 0.75% of the aggregate NAV of the outstanding Class C and Class F shares and Class C and Class F OP Units (to the extent such OP Units are not held by us). The asset management fee may be paid, at the Advisor's election, in cash or cash equivalent aggregate NAV amounts of shares or OP Units in a class elected by the Advisor; provided that the Advisor will not be permitted to elect to receive Class F shares or Class F OP Units. To the extent that the Advisor elects to receive any portion of its asset management fee in shares, we may redeem such shares from the Advisor at a later date. Shares of our common stock obtained by the Advisor in lieu of a cash asset management fee will not be subject to the redemption limits of our share redemption program or any Early Redemption Deduction. Subject to certain limitations in the OP Agreement, the Operating Partnership will redeem any such OP Units for cash unless our board of directors determines that any such redemption for cash would be prohibited by applicable law or the OP Agreement, in which case such OP Units will be exchanged for shares of our common stock with an equivalent aggregate NAV. The Advisor and the Special Limited Partner will have the option of exchanging shares of any class for an equivalent aggregate NAV amount of any other class of our shares, other than Class F shares and provided that any such exchange would not jeopardize our REIT status.	Actual amounts of the management fee depend upon our aggregate NAV. The management fee attributed to the shares sold in this offering will equal approximately $0.9 million per annum if we sell the maximum amount in this offering, assuming that the NAV per share of Class F shares remains constant from when this offering commenced and before giving effect to any shares issued under our distribution reinvestment, additional private placements or share redemptions.

Expense Reimbursement—the Advisor	In addition to the organization and offering expense and Acquisition Expense reimbursements described above, we will reimburse the Advisor for out-of-pocket costs and expenses it incurs in connection with the services it provides to us, including, but not limited to, (1) fees, costs and expenses in connection with the issuance and transaction costs incident to the trading, settling, disposition and financing of any investment, (2) the actual cost of goods and services used by us and obtained from persons unaffiliated with the Advisor, including fees paid to administrators, consultants, attorneys, technology providers and other service providers and brokerage fees paid in connection with the purchase and sale of any securities, (3) taxes, (4) insurance for our directors and officers, (5) managing and operating assets owned by us, whether payable to an affiliate of the Advisor or otherwise, (6) compensation paid to the independent directors and expenses related to meetings of the directors and stockholders, (7) distributions to be made by us to the stockholders, (8) communications with stockholders, including the cost of preparation, printing, and mailing annual reports and other stockholder reports, proxy statements and other reports required by governmental entities, (9) audit, accounting and legal fees and other fees for professional services relating to our operations, (10) out-of-pocket costs for us to comply with all applicable laws, regulations and ordinances, and (11) any other expenses incurred by the Advisor or its affiliates in the performance of the Advisor's duties under the Advisory Agreement. See "The Advisor and the Advisory Agreement—The Advisory Agreement" for more details.	Actual amounts of out-of-pocket expenses paid by the Advisor that we reimburse are dependent upon actual expenses incurred and, therefore, cannot be determined at this time.

Performance Participation Allocation—Special Limited Partner	So long as the Advisory Agreement has not been terminated, the Special Limited Partner will continue to hold an interest in the performance participation allocation from the Operating Partnership. The performance participation allocation is calculated on a class-specific basis as the lesser of (1) 12.5% of (a) the annual total return amount for such class of Fund Interests, less (b) any loss carryforward for such class of Fund Interests, and (2) the amount equal to (x) the annual total return amount for such class of Fund Interests, less (y) any loss carryforward for such class of Fund Interests, less (z) the amount needed to achieve an annual total return amount equal to 5% of the NAV per Fund Interest of such class at the beginning of such year, which we refer to as the Hurdle Amount. The foregoing calculations are calculated on a per Fund Interest basis and multiplied by the weighted average Fund Interests of the applicable class outstanding during the year. "Fund Interests" means the outstanding shares of our common stock, along with the OP Units, which may be held directly or indirectly by the Advisor, the Sponsor and third parties. In no event will the performance participation allocation be less than zero. Accordingly, if the annual total return amount exceeds the Hurdle Amount plus the amount of any loss carryforward for the applicable class of Fund Interests, then the Special Limited Partner will earn a performance participation allocation equal to 100% of such excess, but limited to 12.5% of the annual total return amount that is in excess of the loss carryforward. The results of these class-specific calculations of the performance participation allocation for each class of Fund Interests are aggregated and the resulting amount is the performance participation allocation to be distributed. The "annual total return amount" referred to above is calculated on a class-specific basis and means all distributions paid or accrued per Fund Interest of the applicable	Actual amounts of the performance participation allocation depend upon the Operating Partnership's actual annual total return and, therefore, cannot be calculated at this time.

class (excluding distributions related to the Aggregate Class F Percentage Interest) plus any change in NAV per Fund Interest of such class since the end of the prior calendar year, adjusted to exclude the negative impact on annual total return resulting from our payment or obligation to pay, or distribute, as applicable, the class-specific performance participation allocation. With respect to the first calculation of the performance participation allocation, the initial value of the Class F Fund Interests shall be $25.00 (irrespective of the price at which Class F shares are purchased in this offering). If the performance participation allocation is being calculated with respect to a year in which we complete a liquidity event (if any), for purposes of determining the annual total return amount, the change in NAV per Fund Interest will be deemed to equal the difference between the NAV per Fund Interest as of the end of the prior calendar year and the value per Fund Interest determined in connection with such liquidity event. The measurement of the change in NAV per Fund Interest for the purpose of calculating the annual total return amount is subject to adjustment by our board of directors to account for any dividend, split, recapitalization or any other similar change in the Operating Partnership's capital structure or any distributions that our board of directors deems to be a return of capital if such changes are not already reflected in the Operating Partnership's net assets.

The "loss carryforward" referred to above will track any negative annual total return amounts for the applicable class of Fund Interests from prior years and offset the positive annual total return amount for such class of Fund Interests for purposes of the calculation of the performance participation allocation. The performance participation allocation will be payable for each calendar year in which the Advisory Agreement is in effect, even if the Advisory Agreement is in effect for a partial year. The performance participation

allocation will accrue monthly and will begin to be calculated and accrued from and after our determination of the initial NAV per share. In the event the Advisory Agreement is terminated or its term expires without renewal, the partial period performance participation allocation will be due and payable upon the termination date.

In such event, for purposes of determining the "annual total return amount," the change in NAV per Fund Interest will be determined based on a good faith estimate of what our NAV per Fund Interest would be as of that date (if the NAV had been calculated in accordance with our valuation policy); provided, that, if the Advisory Agreement is terminated with respect to a liquidity event, the performance participation allocation will be due and payable in connection with such liquidity event and the annual total return amount will be calculated as set forth above with respect to a year in which we complete a liquidity event. In addition, in the event the Operating Partnership commences a liquidation of its investments during any calendar year, the performance participation allocation will be calculated at the end of the liquidation period prior to the distribution of the liquidation proceeds to the holders of OP Units.

If the performance participation allocation is payable with respect to any partial month or partial calendar year, then the performance participation allocation will be calculated based on the annualized total return amount determined using the total return achieved for the period of such partial calendar year.

The performance participation allocation will be payable in cash or cash equivalent aggregate NAV amounts of OP Units of a class elected by the Special Limited Partner, provided that the Special Limited Partner may not elect to receive Class F OP Units. A portion of the performance participation allocation earned in the

aggregate by the Special Limited Partner will be shared with the Class F Interest holders, which we refer to herein as the Aggregate Class F Percentage Interest. The Special Limited Partner will elect to receive cash with respect to the Aggregate Class F Percentage Interest to be paid to Class F Interest holders. If the Special Limited Partner elects to receive any portion of such distributions in OP Units, the number of OP Units to be issued to the Special Limited Partner will be determined by dividing an amount equal to the value of the portion of the performance participation allocation for which the Special Limited Partner elects to receive OP Units by the NAV per applicable class of OP Unit. The Special Limited Partner may request the Operating Partnership to redeem such OP Units from the Special Limited Partner at a later date. Any such redemption requests will be satisfied prior to redemption requests of limited partners of the Operating Partnership and will not be subject to redemption limits, including any pro rata satisfaction limitations, or to any early redemption deduction. In the event the performance participation allocation is paid in cash to the Special Limited Partner as an allocation and distribution, such amount will not be deductible to the Operating Partnership although it will reduce the cash available for distribution to other OP Unit holders.

For a more comprehensive description of the performance participation allocation and related calculations, see "The Advisor and the Advisory Agreement—The Advisory Agreement—Fee and Expense Reimbursements" and "The Operating Partnership Agreement—Special Limited Partner Interest."

Fees for Other Services—the Advisor and Affiliates of the Advisor	We may retain the Advisor or certain of the Advisor's affiliates, from time to time, for services relating to our investments or our operations, which may include property management services, leasing services, corporate services, statutory services, transaction support services (including but not limited to coordinating with brokers, lawyers, accountants and other advisors, assembling relevant information, conducting financial and market analyses, and coordinating closing procedures), construction and development management, and loan management and servicing, and within one or more such categories, providing services in respect of asset and/or investment administration, accounting, technology, tax preparation, finance (including but not limited to budget preparation and preparation and maintenance of corporate models), treasury, operational coordination, risk management, insurance placement, human resources, legal and compliance, valuation and reporting-related services, as well as services related to mortgage servicing, group purchasing, healthcare, consulting/brokerage, capital markets/credit origination, property, title and/or other types of insurance, management consulting and other similar operational matters. Any fees paid to the Advisor or the Advisor's affiliates for any such services will not reduce the advisory fees. Any such arrangements will be at market rates or reimbursement of costs incurred in providing the services.	Actual amounts depend on whether the Advisor or affiliates of the Advisor are actually engaged to perform such services.

(1) These amounts represent estimated expenses incurred in connection with our organization and this offering, including legal, accounting, printing, mailing, subscription processing and filing fees and expenses, reasonable bona fide due diligence expenses of participating broker dealers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of our transfer agent and certain wholesaling reimbursements.

(2) We will pay all expenses incurred in connection with the acquisition of our investments, including legal and accounting fees and expenses, brokerage commissions payable to unaffiliated third parties, travel expenses, costs of appraisals (including independent appraisals), nonrefundable option payments on property not acquired, engineering, due diligence, transaction support services, title insurance and other expenses related to the selection and acquisition of investments, whether or not acquired. While most of the acquisition expenses are expected to be paid to third parties, a portion of the out-of-pocket acquisition expenses may be paid or reimbursed to the Advisor or its affiliates.

(3) In calculating our asset management fee, we will use our NAV and the NAV of our Operating Partnership before giving effect to accruals for the asset management fee, performance participation allocation, distribution fees (if any) or distributions payable on our shares.

Commencing four fiscal quarters after the commencement of an initial public offering, our Total Operating Expenses, including any performance participation allocation made to the Special Limited Partner with respect to its special limited partnership interest in the Operating Partnership, will be limited during any four fiscal quarters to the greater of (a) 2.0% of our Average Invested Assets or (b) 25.0% of our Net Income. This limit may be exceeded only if our independent directors have made a finding that, based on such unusual and non-recurring factors as they deem sufficient, a higher level of expenses is justified, and such finding is recorded in the minutes of a meeting of the independent directors. For purposes of these limits:

- "Total Operating Expenses" are all costs and expenses paid or incurred by us, as determined under generally accepted accounting principles, including the management fee and the performance participation, but excluding: (i) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing, and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and listing of our capital stock, (ii) property-level expenses incurred at, or allocated to, each property, (iii) interest payments, (iv) taxes, (v) non-cash expenditures such as depreciation, amortization and bad debt reserves, (vi) incentive fees paid in compliance with our charter, (vii) acquisition fees and acquisition expenses related to the selection and acquisition of assets, whether or not a property is actually acquired, (viii) real estate commissions on the sale of property and (ix) other fees and expenses connected with the acquisition, disposition and ownership of real estate interests, mortgage loans or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

- "Average Invested Assets" means, for any period, the average of the aggregate book value of our assets, invested, directly or indirectly, in equity interests in and loans secured by real estate, including all properties, mortgages and real estate-related securities and consolidated and unconsolidated joint ventures or other partnerships, before deducting depreciation, amortization, impairments, bad debt reserves or other non-cash reserves, computed by taking the average of such values at the end of each month during such period.

- "Net Income" means, for any period, total revenues applicable to such period, less the total expenses applicable to such period other than additions to, or allowances for, non-cash charges such as depreciation, amortization, impairments and reserves for bad debt or other similar non-cash reserves.

See "The Advisor and The Advisory Agreement—The Advisory Agreement—Fees and Expense Reimbursements."

CONFLICTS OF INTEREST AND BENEFITS TO THE ADVISOR AND ITS AFFILIATES

The following is a description of the material terms of, and is qualified in its entirety by, our charter and bylaws and the Advisory Agreement.

We pay the Advisor an asset management fee regardless of the performance of our portfolio. The Advisor's entitlement to an asset management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. We will be required to pay the Advisor an asset management fee in a particular period despite experiencing a net loss or a decline in the value of our portfolio during that period.

In addition, the Special Limited Partner has the ability to earn a performance participation allocation each year based on the total return of each class of OP Units, which may create an incentive for the Advisor to invest in assets with higher yield potential, which are generally riskier or more speculative, or sell an asset prematurely for a gain, in an effort to increase short-term net income and thereby increase the performance participation allocation to which the Special Limited Partner is entitled. If our interests and those of the Advisor are not aligned, the execution of our business plan and our results of operations could be adversely affected, which could adversely affect our financial condition.

In addition, we will be subject to various conflicts of interest arising out of our relationships with the Sponsor, including the Advisor and its affiliates, including conflicts related to the arrangements pursuant to which the Advisor and its affiliates will be compensated by us. Furthermore, members of our board of directors have served and may continue to serve as executives of the Sponsor and/or one or more of its affiliates. There is no guarantee that the policies and procedures adopted by us, the terms of our charter, the terms and conditions of the Advisory Agreement or the policies and procedures adopted by the Advisor, the Sponsor and their affiliates, will enable us to identify, adequately address or mitigate these conflicts of interest. Our agreements and compensation arrangements with the Advisor and its affiliates were not determined by arm's-length negotiations. See the section entitled "The Advisor and The Advisory Agreement" in this Memorandum. Transactions between us and the Advisor or its affiliates will be subject to approval by our board of directors. Some of the potential conflicts of interest in our transactions with the Advisor and its affiliates, and the limitations on the Advisor that will be adopted to address these conflicts, are described below.

Affiliates of the Advisor have sponsored and may sponsor one or more other real estate investment programs in the future. The officers and key personnel of the Advisor may spend a portion of their time on activities unrelated to us. The Advisor and its affiliates employ personnel who have extensive experience in selecting and managing multifamily properties similar to the properties sought to be acquired by us.

We may buy assets at the same time as one or more of the other programs sponsored by affiliates of the Advisor and/or managed by officers and key personnel of the Advisor. As a result, they owe duties to each of these entities, their members and limited partners and investors, which duties may, from time to time, conflict with the fiduciary duties that they owe to us and our stockholders. However, to the extent that the Advisor or its affiliates take actions that are more favorable to other entities than to us, these actions could have a negative impact on our financial performance and, consequently, on distributions to you and the value of our common stock. In addition, employees of the Advisor or their affiliates and certain of our stockholders and OP Unit holders may engage for their own account in business activities of the types conducted or to be conducted by us and our subsidiaries. For a discussion of the restrictions we will impose related to limits placed upon officers of the Advisor and certain of our stockholders and OP Unit holders, see the section entitled "— Certain Conflict Resolution Procedures" below. In addition, for a description of

some of the risks related to these conflicts of interest, see the section of this Memorandum captioned "Risk Factors — Risks Related to Our Relationship with the Advisor and its Affiliates."

Interests in Other Real Estate Programs

Affiliates of the Advisor may act as advisors to and/or executive officers of other real estate programs. Affiliates of the Advisor and entities owned or managed by such affiliates may acquire or develop real estate for their own accounts. Furthermore, affiliates of the Advisor and entities owned or managed by such affiliates may form additional real estate investment entities in the future, whether public or private, which may have the same investment objectives and policies as us and which may be involved in the same geographic area. The Advisor and its affiliates will not be obligated to present to us any particular investment opportunity that comes to their attention, unless such opportunity is of a character that might be suitable for investment by us. The Advisor and its affiliates likely will experience conflicts of interest as they simultaneously perform services for us and other affiliated real estate programs.

Any affiliated entity, whether or not currently existing, could compete with us in the sale or operation of the properties. We will seek to achieve any operating efficiency or similar savings that may result from affiliated management of competitive properties. However, to the extent that affiliates own or acquire property that is adjacent, or in close proximity, to a property we own, our property may compete with the affiliate's property for tenants or purchasers.

Every transaction that we enter into with the Advisor or its affiliates is subject to an inherent conflict of interest. The Advisor may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and the Advisor or any of its affiliates.

Other Activities of the Advisor and Its Affiliates

We rely on the Advisor for the day-to-day operation of our business. As a result of the interests of members of our management in other programs sponsored by affiliates of the Advisor and the fact that they also are engaged, and will continue to engage, in other business activities, the Advisor and its affiliates have conflicts of interest in allocating their time between us and other programs sponsored by affiliates of the Advisor and other activities in which they are involved. However, the Advisor believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all of the programs sponsored by affiliates of the Advisor and other ventures in which they are involved. The allocation of these corporate resources, and the related expense that may be reimbursed by us, will not be determined on an arm's-length basis.

In addition, the officers of the Advisor also serve as officers of other affiliated entities. As a result, these individuals may owe fiduciary duties to these other entities, which may conflict with their obligations to us and our stockholders.

We may enter into joint ventures with other affiliated programs (as well as other parties or vehicles) for the acquisition of multifamily real estate. The Advisor and its affiliates may have conflicts of interest in determining that an affiliated program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals that are or that may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, the Advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the co-venturer and in managing the joint venture (including conflicts regarding the financing, management, operation, leasing or sale of properties held in the joint venture or the timing of the termination and liquidation of the joint venture). Additionally, such co-venturers may be in a position to take action contrary

to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Furthermore, under the joint venture, each venture partner may have a buy/sell right and, as a result of the exercise of such a right by a co-venturer, we may be forced to sell our interest, or buy a co-venturer's interest, at a time when it would not otherwise be in our best interest to do so. Since the Advisor and its affiliates will control both us and any affiliated co-venturer, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. Our charter permits such joint ventures only if a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction approve the investment as fair and reasonable and on substantially the same terms, or more favorable, and conditions as those received by the other joint venturers.

Competition in Acquiring, Leasing and Operating of Properties

A conflict of interest could arise in the acquisition or leasing of properties if we and another program sponsored by affiliates of the Advisor targeting the same type of assets as us were to compete for the same properties or tenants in negotiating leases, or a conflict could arise in connection with the resale of properties if we and another program sponsored by affiliates of the Advisor were to attempt to sell similar properties at the same time. Conflicts of interest also may exist at such time as we or our affiliates managing property on our behalf seek to employ developers, contractors or building managers, as well as under other circumstances, which could result, for example, in us losing a potential contract with a developer to another program sponsored by an affiliate of the Advisor.

Lack of Separate Representation

Morrison & Foerster LLP acts, and may in the future act, as our counsel and counsel to the Advisor and some of its affiliates. There is a possibility that in the future the interests of the various parties may become adverse, and under the Code of Professional Responsibility of the legal profession, Morrison & Foerster LLP may be precluded from representing any one or all of such parties. If a dispute were to arise between us and the Advisor or any of its affiliates, separate counsel for such matters will be retained as and when appropriate.

Certain Conflict Resolution Procedures and Policies

The Sponsor, the Advisor and their affiliates have both subjective and objective procedures and policies in place designed to manage the potential conflicts of interest between the Advisor's fiduciary obligations to us and its affiliates' similar fiduciary obligations to other clients. In general, investment opportunities will be allocated according to the strategic investment initiatives of each vehicle, which are documented and updated on at least an annual basis. If an investment opportunity is deemed appropriate for more than one vehicle, allocations will be made on a pro rata basis among the investing vehicles, provided, however, that: (i) de minimis allocations will not be made to any vehicle; and (ii) the Advisor's allocation committee can consider allocation on an other than pro rata basis, based on its analysis of allocation factors, such as a rotational policy, whereby the investment opportunity will be first offered to the vehicles that did not participate in the most recently allocated investment opportunity. An investment opportunity that is suitable for multiple vehicles of the Advisor and its affiliates may not be capable of being shared among some or all of such vehicles due to the limited scale of the opportunity or other factors. There can be no assurance that the Advisor's or its affiliates' efforts to allocate any particular investment opportunity fairly among all vehicles for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected to be resolved in our favor.

The Advisor is required to inform our board of directors at least quarterly of the investment opportunities that have been offered to other affiliated programs so that the board of directors can evaluate whether we are receiving opportunities in a manner consistent with the allocation policy adopted by the Sponsor. The Advisor's success in generating investment opportunities for us and the fair allocation of opportunities among affiliated programs will be important criteria in the independent directors' determination to continue or renew our arrangements with the Advisor and its affiliates. Our board of directors will have a duty to ensure that the Advisor and its affiliates fairly apply this method for allocating investment opportunities among the other affiliated programs. See the "Allocation Policy" section below.

Allocation Policy

Conflicts of interest caused by more than one investment vehicle sponsored by the Sponsor, the Advisor, or their affiliates having funds available simultaneously for acquiring investments of the type we target will be resolved in good faith by the Sponsor, the Advisor, or such affiliates. The Advisor will undertake to report to our board of directors, on a quarterly basis, all such investment opportunities and how the allocation of such investment opportunities were resolved. In resolving any such conflicts, the Sponsor, through its subsidiary advisors and managers, will take into account a number of factors in allocating the investment opportunities for the vehicles they advise, including but not limited to: (a) the vehicles' investment objectives and strategies; (b) the sector and geography/location of the investment; (c) the specific nature (including size, type, amount, liquidity, anticipated maturity and minimum investment criteria) of the investment; (d) the expected leverage on the investment; (e) the amount of time remaining in the investment period or term of any applicable vehicle; (f) any applicable limitations in the governing documents or side letters (if applicable) of any vehicles; (g) the existing or anticipated future portfolio construction of any applicable vehicle, (h) portfolio diversification requirements; (i) the avoidance of de minimis allocations to one or more participating vehicle; (j) the overall risk profile of a portfolio; (k) conflicts of interests between the Sponsor, the Advisor, or their affiliates and the vehicles or among vehicles; (l) legal, tax, or regulatory limitations; and (m) any other factors deemed relevant by the Sponsor.

The Advisor may (a) cause us to co-invest with other Sponsor-affiliated vehicles only upon approval of a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction, and (b) cause us to sell investments to (or purchase investments from) other vehicles sponsored by the Sponsor, the Advisor, or their affiliates only if such sale or purchase is on market terms and is approved by a majority of our directors, including a majority of our independent directors, not otherwise interested in the transaction.

Review by Independent Directors

Every transaction that we enter into with the Advisor or its affiliates will be subject to an inherent conflict of interest. In order to reduce or eliminate certain potential conflicts of interest, our charter requires that a majority of our board of directors, including a majority of our independent directors, not otherwise interested in the transaction determine that the transaction is fair and reasonable to us and on terms and conditions no less favorable to us than those available from unaffiliated third parties. Our board of directors may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with such affiliate or in invoking powers, rights or options pursuant to any agreement between us and the Advisor or any of its affiliates. The independent directors, which may retain their own legal and financial advisors, are empowered to act on any matter permitted under Maryland law. If the independent directors determine that a matter at issue is such that the exercise of independent judgment by the other directors could be compromised, the independent directors must approve the matter.

Among the matters the independent directors will act upon, if applicable, are:

- the continuation, renewal, or enforcement of our agreements with the Advisor and its affiliates, including the Advisory Agreement;
- offerings of securities;
- property sales;
- property acquisitions, subject to certain limitations;
- transactions with affiliates;
- awards under any equity incentive plan;
- whether and when we seek to list our securities on a national securities exchange;
- whether and when we seek to become internally managed, which decision could lead to our acquisition of the Advisor at a substantial price; and
- whether and when we seek to sell the company or substantially all of our assets.

Other Charter Provisions Relating to Conflicts of Interest

Our charter contains many restrictions relating to conflicts of interest, including the following:

Advisor Compensation

The independent directors must evaluate at least annually whether the compensation that we contract to pay to the Advisor and its affiliates is reasonable in relation to the nature and quality of services performed and that such compensation is within the limits prescribed by the charter. The independent directors must supervise the performance of the Advisor and its affiliates and the compensation we pay to them to determine that the provisions of our compensation arrangements are being carried out and are subject to the limitations of its charter. The independent directors must base this evaluation on the factors deemed relevant by the independent directors, and such findings will be recorded in the minutes of the board of directors.

The Advisory Agreement may be terminated without cause or penalty by us (upon approval of a majority of independent directors) or the Advisor upon 60 days' written notice. Furthermore, we may immediately terminate the Advisory Agreement "for cause," upon the Advisor's bankruptcy or upon a material breach of the Advisory Agreement while the Advisor may immediately terminate the Advisory Agreement upon a change of control event. "Cause" is defined in the Advisory Agreement to mean fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by the Advisor.

In the event the Advisory Agreement is terminated, the Advisor will be entitled to receive its prorated asset management fee through the date of termination and will cooperate with us and take all reasonable steps requested to assist our board of directors in making an orderly transition of the advisory function. Before selecting a successor advisor, our board of directors must determine that any successor advisor possesses sufficient qualifications to perform the advisory function and to justify the compensation it would receive from us.

Acquisitions

We will not purchase or lease real estate assets in which the Sponsor, the Advisor, any of our directors or any of their affiliates has an interest without a determination by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the affiliated seller or lessor unless there is substantial justification for the excess amount. Generally, the purchase price that we will pay for any real estate asset will be based on the fair market value of the property as determined by a majority of our directors. In the cases where a majority of the independent directors require, and in all cases in which the transaction is with the Sponsor, the Advisor, any of our directors, or any of their affiliates, we will obtain an appraisal of fair market value by an independent expert selected by the independent directors. In no event will we acquire any such real estate asset at an amount in excess of its currently appraised value as determined by an independent expert selected by our independent directors not otherwise interested in the transaction.

Mortgage Loans Involving Affiliates. Our charter prohibits us from investing in or making mortgage loans in which the transaction is with the Sponsor, the Advisor, any of our directors, or any of their affiliates unless an independent expert appraises the underlying property. We must keep the appraisal for at least five years and make it available for inspection and duplication by any of our stockholders. In addition, we must obtain a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or the condition of the title. Following the commencement of an initial public offering by us, our charter prohibits us from making or investing in any mortgage loans that are subordinate to any mortgage or equity interest of the Sponsor, the Advisor, any of our directors, or any of our affiliates.

Issuance of Options and Warrants to Certain Affiliates. Following the commencement of an initial public offering by us, our charter prohibits the issuance of options or warrants to purchase our common stock to the Advisor, the Sponsor, any of our directors or any of their affiliates (i) on terms more favorable than we would offer such options or warrants, if any, to unaffiliated third parties or (ii) in excess of an amount equal to 10% of our outstanding common stock on the date of grant.

Redemption of Shares of Common Stock. Our charter prohibits us from paying a fee to the Advisor, the Sponsor or any of our directors or any of their affiliates in connection with our redemption of our common stock.

Expense Reimbursements Involving Affiliates. Our directors and officers and the Advisor and its affiliates shall be entitled to reimbursement, at cost, for actual operating expenses incurred by them on behalf of us or joint ventures in which we are a joint venture partner, subject to the limitation, commencing four fiscal quarters after the commencement of an initial public offering by us, on reimbursement of our operating expenses and our share of operating expenses of any joint venture to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in this Memorandum under the caption "The Advisor and the Advisory Agreement—The Advisory Agreement—Reimbursement by the Advisor."

Voting of Shares of Common Stock Owned by the Advisor, its Affiliate or Our Directors. Following the commencement of an initial public offering by us, the Advisor or a director of the Company or any of their affiliates will not be able to vote their shares of common stock regarding (i) their removal or (ii) any transaction between them and us. In addition, following the commencement of an initial public offering by us, in determining the requisite percentage in interest of shares necessary to approve a matter on which the Advisor, such director and any of their affiliates may not vote or consent, any shares owned by any of them will not be included.

Other Loans Involving Affiliates. Our charter prohibits us from making loans to the Sponsor, the Advisor, any of our directors or any of their affiliates except for certain mortgage loans as described above and loans to wholly owned subsidiaries. Our charter prohibits us from borrowing money from the Sponsor, the Advisor, any of our directors or any of their affiliates unless approved by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction as fair, competitive, and commercially reasonable and no less favorable to us than comparable loans between unaffiliated parties under the same circumstances.

Joint Ventures with Affiliates. Our charter prohibits us from investing in joint ventures with the Sponsor, the Advisor, any of our directors or any of their affiliates without approval by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction as fair and reasonable to us and on substantially the same terms and conditions as those received by the other joint venturers.

Sales or Leases to Affiliates. Our charter prohibits us from selling or leasing properties to the Sponsor, the Advisor, any of our directors or any of their affiliates without a determination by a majority of our board of directors, including a majority of the independent directors, not otherwise interested in the transaction that the transaction is fair and reasonable to us.

NET ASSET VALUE CALCULATION AND VALUATION PROCEDURES

The following information describes our policies regarding NAV determinations. The NAV for our shares is based on the net asset values of our investments (including real estate debt and other securities), the addition of any other assets (such as cash on hand), and the deduction of any liabilities, including the allocation/accrual of any performance participation to the Special Limited Partner.

The calculation of our NAV is intended to be a calculation of the fair value of our assets less the fair value of our outstanding liabilities as described below and will likely differ from the book value of our equity reflected in the financial statements. To calculate our NAV for the purpose of establishing a purchase and redemption price for our shares, we have adopted a model, as explained below, that adjusts the value of our assets and liabilities from historical cost to fair value generally in accordance with the GAAP principles set forth in FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures. The Advisor calculates NAV based on appraisals provided by the Independent Valuation Advisor and third-party appraisals that are reviewed by the Independent Valuation Advisor. Because these fair value estimates involve significant professional judgment in the application of both observable and unobservable attributes, the estimated fair value of our assets may differ from their actual realizable value or future fair value. While we believe our NAV calculation methodologies are consistent with standard industry practices, there is no rule or regulation that requires us to calculate NAV in a certain way. As a result, other REITs may use different methodologies or assumptions to determine NAV. In addition, NAV is not a measure used under GAAP and the valuations of and certain adjustments made to our assets and liabilities used in the determination of NAV will differ from GAAP. You should not consider NAV to be equivalent to stockholders' equity or any other GAAP measure.

Independent Valuation Advisor

With the approval of the board of directors, we have engaged Altus Group as our Independent Valuation Advisor with respect to providing monthly real property valuations, providing valuations of debt-related assets and liabilities, reviewing annual third-party real property appraisals, helping us administer the valuation and review process described under "Real Property" below for the real properties in our portfolio, and assisting in the development and review of the valuation procedures contained herein. The Independent Valuation Advisor may be replaced at any time, in accordance with agreed-upon notice requirements, by a majority vote of our board of directors.

The Independent Valuation Advisor will discharge its responsibilities in accordance with the valuation procedures described below and with the oversight of our board of directors. The board of directors is not involved in the monthly valuation of our assets and liabilities, but periodically receives and reviews such information about the valuation of our assets and liabilities as it deems necessary to exercise its oversight responsibility. While the Independent Valuation Advisor is responsible for providing monthly estimated values of our real properties, debt-related assets and liabilities and certain securities and reviews of third-party appraisals, the Independent Valuation Advisor is not responsible for, nor does it prepare, our monthly NAV.

The Independent Valuation Advisor may perform other roles under our valuation procedures as described herein and may be engaged to provide additional services, including providing an independent appraisal of any of our other assets or liabilities (contingent or otherwise). The Independent Valuation Advisor may, from time to time, perform other commercial real estate and financial advisory services for the Advisor and its affiliates, or in transactions related to the properties that are the subject of appraisals being performed for us, or otherwise, so long as such other services do not adversely affect the independence of the applicable appraiser as certified in the applicable appraisal report or the independence of the Independent Valuation Advisor.

We pay fees to the Independent Valuation Advisor upon the delivery of its reports. The compensation we pay to the Independent Valuation Advisor is not based on the estimated values of our assets or liabilities.

Valuation of Real Property

The overarching principle of the real property asset appraisal process is to produce real property asset appraisals that represent credible estimates of fair value. The estimate of fair value developed in the appraisals of our real property assets may not always reflect the value of, or may materially differ from, the value at which we would agree to buy or sell such assets. Further, we do not undertake to disclose the value at which we would be willing to buy or sell real property assets to any prospective or existing investor.

Each real property asset is appraised by a third-party appraiser at least once per calendar year and reviewed by the Advisor and the Independent Valuation Advisor. We seek to schedule the appraisals by the third-party appraisal firms evenly throughout the calendar year, such that an approximately equal portion of the real property assets in our portfolio are appraised by a third-party appraisal firm each quarter, although we may have more or fewer appraisals in an individual quarter. In its review, the Independent Valuation Advisor provides an opinion as to the reasonableness of each appraisal report from the third-party appraisal firms. In the event both the Advisor and the Independent Valuation Advisor believe any appraisal completed by a third-party appraisal firm is materially incorrect, the appraisal can be rejected. In this event, the value indication from the prior month will be carried forward. Exercising this option requires both (i) written confirmation from the Independent Valuation Advisor documenting their consent to the course of action and (ii) engagement of a new third-party appraisal firm to appraise the property within the two months following the rejected appraisal. The value provided by the newly engaged third-party appraisal firm cannot be rejected. In no event will a calendar year pass without having each real property asset appraised by a third-party appraisal firm, unless such asset is being bought or sold in such calendar year or an initial appraisal for such asset has been rejected, in which case the new appraisal will be obtained as quickly as reasonably possible. Additionally, the real property assets not appraised by the third-party appraisal firm in a given calendar month are valued for such calendar month by the Independent Valuation Advisor, and such valuations are reviewed by the Advisor.

Newly acquired real properties are initially valued at cost, including acquisition costs, during the month of acquisition, which is expected to represent fair value at that time. Each newly acquired real property is subject to the regular monthly valuation process described above starting no later than the third full month following the acquisition. Furthermore, each newly acquired real property is first appraised by a third-party appraisal firm in the calendar year following the year of acquisition.

All appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practice, or USPAP, the real estate appraisal industry standards created by The Appraisal Foundation. Each appraisal must be reviewed, approved, and signed by an individual with the professional MAI designation conferred by and subject to the Code of Ethics & Standards of Professional Practice of the Appraisal Institute. Real property appraisals are reported on a free-and-clear basis (for example, no mortgage), irrespective of any property-level financing that may be in place. Such property-level debt or other financing ultimately are factored into and impact NAV in a manner described in more detail below.

We rely on the income approach as the primary methodology used by the third-party appraisal firms and the Independent Valuation Advisor (together, the "Independent Appraisal Firms") in valuing the real property assets within our portfolio, whereby value is derived by determining the present value of a real property asset's future cash flows (for example, discounted cash flow analysis). Consistent with industry practices, the income approach incorporates subjective judgments regarding comparable property rental

rates and operating expense data, the appropriate capitalization and discount rates, and projections of future income and expenses based on market derived data and trends. Other methodologies that may also be used to value properties include direct capitalization, sales comparisons and cost approaches. Because the methodologies that are utilized in valuing our real property assets involve significant professional judgment in the application of both observable and unobservable inputs, the estimated fair values of our real property assets may differ from their actual realizable values or future appraised values. Real property valuations may not reflect the liquidation value or net realizable value of our real property assets because the valuations performed by the Independent Appraisal Firms involve subjective judgments about competitive market behavior and do not reflect transaction costs that would be incurred if we were to dispose of our real property assets today. Transaction costs related to an acquisition or disposition are generally factored into NAV no later than the closing date for such transaction, and in some circumstances, such as when we anticipate there is a high likelihood an asset will be acquired or disposed, we may factor into our NAV calculation a portion of the potential transaction price and related closing costs given the likelihood that the transaction will close.

The Independent Appraisal Firms request and collect all reasonably available information that they deem relevant in valuing the real property assets in our portfolio from a variety of sources including, but not limited to information from management and other industry and market data. The Independent Appraisal Firms rely in part on property-level information provided by the Advisor, including: (i) historical and budgeted operating revenues and expenses of the property; (ii) lease agreements on the property; and (iii) information regarding recent or planned capital expenditures.

In conducting their investigation and analyses, the Independent Appraisal Firms take into account customary and accepted financial and commercial procedures and considerations as they deem relevant, which may include, without limitation, the review of documents, materials and information relevant to valuing the real property assets that are provided by us or the Advisor. Although Independent Appraisal Firms may review the information supplied or otherwise made available by us or the Advisor for reasonableness, they assume and rely upon the accuracy and completeness of all such information and of all information supplied or otherwise made available to them by any other party. With respect to operating or financial forecasts and other information and data to be provided to or otherwise to be reviewed by or discussed with Independent Appraisal Firms, the Independent Appraisal Firms assume that such forecasts and other information and data were reasonably prepared in good faith reflecting the best currently available estimates and judgments of our management team and the Advisor, and rely upon us to advise the Independent Appraisal Firms promptly if any material information previously provided becomes inaccurate or is required to be updated during the valuation period.

In performing their analyses, the Independent Appraisal Firms make numerous other assumptions with respect to the behavior of market participants, industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond their control and our control, as well as certain factual matters. For example, unless specifically informed to the contrary, the Independent Appraisal Firms may assume that we have clear and marketable title to each real property asset valued, that no title defects exist, that improvements were made in accordance with law, that no hazardous materials are present or were present previously, that no deed restrictions exist, and that no changes to zoning ordinances or regulations governing use, density or shape are pending or being considered. Furthermore, the Independent Appraisal Firms' analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing at or prior to the appraisal, and any material change in such circumstances and conditions may affect the Independent Appraisal Firms' analysis and conclusions. The Independent Appraisal Firms' appraisal reports may contain other assumptions, qualifications and limitations set forth in the respective appraisal reports that qualify the analysis, opinions and conclusions set forth therein.

The Independent Appraisal Firms' valuation reports are addressed solely to us and not to the public, may not be relied upon by any other person to establish an estimated value of our common stock, and do not constitute a recommendation to any person to purchase or sell any shares of common stock. In preparing their appraisal reports, the Independent Appraisal Firms do not solicit third-party indications of interest for our common stock in connection with possible purchases thereof or the acquisition of all or any part of us.

Upon becoming aware of the occurrence of a material event potentially impacting the fair value of a real property asset, the Advisor will promptly notify the Independent Valuation Advisor. The Independent Valuation Advisor will consider the facts and circumstances around the material event and determine if revaluing the asset is appropriate during a given month and then will reappraise the asset. For example, changes to underlying property fundamentals and overall market conditions, which may include: (i) a material change in collections; (ii) a material change in vacancy levels; (iii) an unanticipated structural or environmental event at a real property asset; or (iv) material capital markets events, any of which may cause the value of a real property asset to change materially.

Each development real property asset will be valued monthly by the Independent Valuation Advisor at estimated fair value. Land cost and other factors such as the status of land entitlements, permitting processes, jurisdictional approvals, estimated overall development completion, and estimated development profit will be considered in determining estimates of fair value. Upon the earlier of three months following the month of stabilization or 12 months after substantial completion, we will obtain an appraisal from a third-party appraisal firm, and thereafter the valuation process will follow the regular valuation process described above.

Valuation of Real Estate Debt Investments and Other Securities

In general, real estate debt investments and other securities will be valued by the Independent Valuation Advisor or another third party based on a cash equivalency analysis that discounts any remaining contractual payments at a market interest rate, in accordance with GAAP. GAAP defines fair value as the price that would be received to sell an asset or be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Present value calculations assume that the existing debt is being replaced with debt for the remaining term to maturity, based on market replacement debt.

Readily available market quotations

Market quotations may be obtained from third-party pricing service providers or, if not available from third-party pricing service providers, broker dealers for certain of our real estate debt and other securities. When reliable market quotations for real estate debt and other securities are available from multiple sources, the Independent Valuation Advisor will utilize this as part of its cash equivalency analysis. Securities that are traded publicly on an exchange or other public market (stocks, exchange traded derivatives and securities convertible into publicly-traded securities, such as warrants) will be valued at the closing price of such securities in the principal market in which the security trades.

No readily available market quotations

If market quotations are not readily available (or are otherwise not reliable for a particular investment), the fair value will be determined in good faith by the Independent Valuation Advisor. Due to the inherent uncertainty of these estimates, estimates of fair value may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, or broker dealer quotations).

Certain investments, such as mortgages and mezzanine loans, are unlikely to have market quotations. In the case of loans we acquire, such initial value will generally be the acquisition price of such loan. In the case of loans we originate, such initial value will generally be the par value of such loan. Each such investment will then be valued by the Independent Valuation Advisor no later than the third full month after the we make such investment and no less than quarterly thereafter in accordance with the procedures set forth in the immediately following paragraph.

To conduct its initial valuation and subsequent monthly revaluations of such investments, the Independent Valuation Advisor initially determines if there is adequate collateral real estate value supporting such investments and whether the investment's yield approximates market yield. If the market yield is estimated to approximate the investment's yield, then such investment is valued at its par value. If the market yield is not estimated to approximate the investment's yield, the Independent Valuation Advisor projects the expected cash flows of the investment based on its contractual terms and discounts such cash flows back to the valuation date based on an estimated market yield. Market yield is estimated as of each quarterly valuation date based on a variety of inputs regarding the performance of the collateral asset(s), local/macro real estate performance, and capital market conditions, in each case as determined in good faith by the Independent Valuation Advisor. These factors may include, but are not limited to: purchase price/par value of such real estate debt or other difficult to value securities; debt yield, capitalization rates, loan-to-value ratio, and replacement cost of the collateral asset(s); borrower financial condition, reputation, and indications of intent (e.g., pending repayments, extensions, defaults, etc.); and known transactions or other price discovery for comparable debt investments. In the absence of collateral real estate value supporting such securities, the Independent Valuation Advisor considers the residual value of such securities, following repayment of any senior debt or other obligations of the collateral asset(s). For each month that the Independent Valuation Advisor does not perform a valuation of such investments, it will review such investment to confirm that there have been no significant events that would cause a material change in value of such investment.

Our board of directors delegates to the Advisor the responsibility for monitoring significant events that may materially affect the values of our real estate debt and other securities investments and for determining whether the value of the applicable investments should be re-evaluated in light of such significant events. Except as otherwise provided in our valuation guidelines, the valuation of other securities will not be reviewed or appraised by the Independent Valuation Advisor.

Liabilities

We include the fair value of our liabilities as part of the NAV calculation. We expect that these liabilities will include the fees payable to the Advisor and its affiliates, accounts payable, accrued operating expenses, property-level mortgages, any portfolio-level credit facilities and other non-real estate related liabilities. All liabilities are valued using widely accepted methodologies specific to each type of liability. Our debt is valued at fair value in accordance with GAAP. The Independent Valuation Advisor determines the estimated fair value of our property-level mortgages and other real estate-related liabilities but does not review or appraise the fair value of our non-real estate-related liabilities.

Estimated NAV of Unconsolidated Investments

Valuation of unconsolidated properties held through joint ventures generally will be according to the valuation procedures set by such joint ventures or partnerships. At least once per calendar year, each unconsolidated real property will be appraised by a third-party appraisal firm. If the valuation procedures

of the applicable joint ventures or partnerships do not accommodate a monthly determination of the fair value of real property, the Independent Valuation Advisor will determine the estimated fair value of the unconsolidated real properties for those interim periods. The Independent Valuation Advisor will also determine on a monthly basis the fair value of any other applicable assets and liabilities of the joint venture using similar practices that we will utilize for our consolidated portfolio.

Once the associated fair values of assets and liabilities are determined, the value of our interest in any joint venture or partnership will then be determined by using a hypothetical liquidation calculation based on our ownership percentage of the joint venture or partnership's estimated NAV. If deemed an appropriate alternative to fair valuing applicable assets and liabilities individually, unconsolidated assets and liabilities held in a joint venture or partnership that acquires multiple real properties over time may be valued as a single investment. The value of our interest in any joint venture or partnership that is a minority interest or is restricted as to salability or transferability may reflect or be adjusted for a minority or liquidity discount. In determining the amount of such discount, consideration may be given to a variety of factors, including, without limitation, the nature and length of such restriction. The Advisor is responsible for providing monthly valuations of unconsolidated real properties, reviewing third-party appraisals of unconsolidated real properties or unconsolidated investments per these valuation procedures.

The Independent Valuation Advisor is not responsible for providing monthly appraisals of unconsolidated real properties, reviewing third-party appraisals of unconsolidated real properties, or valuing our unconsolidated investments per these valuation procedures; however, it may be engaged to do so.

Probability-Weighted Adjustments

In certain circumstances, such as in an acquisition or disposition process, we may be aware of a contingency or contingencies that could impact the value of our assets, liabilities, income or expenses for purposes of the NAV calculation. For example, we may be party to an agreement to sell a property at a value different from the property value being used in the current NAV calculation. The same agreement may require the buyer to assume a related mortgage loan with a fair value that is different from the value of the loan being used in the current NAV calculation. The transaction may also involve costs for brokers, transfer taxes, and other items upon a successful closing. The Advisor may take such contingencies into account when determining the values of certain components of NAV (such as the carrying value of liabilities or expense accruals) for purposes of the NAV calculation. These adjustments may be made either in whole or in part over a period of time, and the Advisor may take into account (a) the estimated probability of the contingencies occurring and (b) the estimated impact to NAV if the contingencies were to occur when determining the timing and magnitude of any adjustments to NAV.

NAV and NAV Per Share Calculation

Our NAV per share is calculated by our Advisor as of the last calendar day of each month for each of the outstanding classes of stock, and is available generally within 15 calendar days after the end of the applicable month.

At the end of each month, before taking into consideration asset management fees, performance participation allocations, accrued dividends, redemptions or class-specific distribution fee accruals for that month, any change in our aggregate NAV (whether an increase or decrease) is allocated among each class of shares based on each class's relative percentage of the previous aggregate NAV plus issuances of shares that were effective on the first calendar day of such month. Changes in the aggregate NAV will reflect factors including, but not limited to, unrealized/realized gains (losses) on the value of our real property asset portfolio, increases or decreases in real estate-related assets and other assets and liabilities, and

monthly accruals for income and expenses (including accruals for performance based fees, if any, advisory fees, and distribution fees) and distributions to investors.

Our most significant source of income is property-level net operating income. We accrue revenues and expenses on a monthly basis based on actual leases and operating expenses in that month. For the first month following a real property asset acquisition, we will calculate and accrue net operating income with respect to such property based on the performance of the property before the acquisition and the contractual arrangements in place at the time of the acquisition, as identified and reviewed through the due diligence and underwriting process in connection with the acquisition.

For NAV calculation purposes, organization and offering expenses incurred prior to December 31, 2024 will not reduce NAV for periods through December 31, 2024, but rather will be amortized to expense on a straight-line basis over the five years following December 31, 2024. This is due to our Advisor's agreement to advance all such organization and offering expenses through December 31, 2024 and to be reimbursed by us for such advanced organization and offering expenses ratably over the 60 months following December 31, 2024. All organization and offering expenses (other than selling commissions, dealer manager fees and distribution fees, if any) incurred beginning January 1, 2025, will reduce NAV as part of our estimated income and expense accruals.

In the future, we may issue shares of common stock subject to distribution fees that reduce the distributions payable on such shares. Under GAAP, we will record liabilities for (i) any such distribution fees that we currently owe and (ii) the estimated distribution fees that we may be obligated to pay in future periods. We will not deduct the liability for estimated future distribution fees in our calculation of NAV since we intend for our NAV to reflect our estimated value on the date that we determine our NAV. Accordingly, our NAV at any given time should not include consideration of any estimated future distribution fees that may become payable after such date. No distribution fees are payable with respect to Class F shares or Class C shares.

Following the calculation and allocation of changes in the aggregate NAV as described above, NAV for each class is adjusted for class-specific expenses such as asset management fees, accrued dividends and ongoing distribution fees (if any) that are currently payable, and other class-specific allocations, such as the accrual of the Aggregate Class F Percentage Interest, to determine the monthly NAV for each class of shares. Class specific expenses and allocations are allocated on a class-specific basis and borne by all holders of such class. The allocation of different class-specific expenses and allocations may result in certain share classes having a different NAV per share than other classes. For example, Class C and Class F shares may have a higher NAV than the other classes of shares, as Class C and Class F shares bear an asset management fee which is 40% lower than the rate at which the asset management fee will be borne by the other classes. Additionally, Class F shares may have a higher NAV than the other classes as a result of the accrual of their share in the Special Limited Partner's performance participation allocation. NAV per share for each class is calculated by dividing such class's NAV at the end of each month by the number of shares outstanding for that class on such day.

NAV of the Operating Partnership and OP Units

The valuation procedures will include the following methodology to determine the monthly NAV of FMREIT Operating Partnership LP (the "Operating Partnership") and units in the Operating Partnership ("OP Units"). OP Units will be valued in the same fashion as shares of our common stock, as described above. The Operating Partnership has certain classes of OP Units that are each economically equivalent to a corresponding class of shares. Accordingly, on the last day of each month, for such classes of OP Units, the NAV per OP Unit will equal the NAV per share of the corresponding class of shares. To the extent classes of OP Units that are not economically equivalent to a class of shares are issued by the Operating

Partnership, the NAV of these classes of OP Units shall initially be set at a specified value, and thereafter will be valued as described above under "NAV and NAV per Share Calculation" as if they were a separate class of shares, taking into account their specific economic terms. The NAV of the Operating Partnership on the last day of each month will equal the sum of the NAVs of each outstanding OP Unit on such day.

Oversight by the Board of Directors

All parties we engage in connection with our valuation procedures are subject to the oversight of the board of directors. As part of this process, the Advisor reviews the estimates of the fair values of our real properties, real estate-related assets, and other assets and liabilities within our portfolio for consistency with the valuation guidelines and the overall reasonableness of the valuation conclusions, and the Advisor will inform the board of directors of its conclusions. Although third-party appraisal firms, the Independent Valuation Advisor, or other pricing sources may consider any comments received from us or the Advisor or other valuation sources for their individual valuations, the final estimated fair values of our real properties are determined by the Independent Valuation Advisor and third-party appraisal firms, and the final estimates of fair values of our real estate-related assets, other assets, and liabilities are determined by the applicable pricing source as described above. With respect to the valuation of real properties, the Independent Valuation Advisor provides the board of directors with periodic valuation reports and will be available to meet with the board of directors to review valuation information, as well as the valuation guidelines and the operation and results of the valuation process generally. Our board of directors has the right to engage additional valuation firms and pricing sources to review the valuation process or valuations, if deemed appropriate.

Review of and Changes to Valuation Procedures

At least once each calendar year, our board of directors, including a majority of independent directors, reviews the appropriateness of the valuation procedures with input from the Independent Valuation Advisor. From time to time, the board of directors, including a majority of independent directors, may adopt changes to the valuation procedures if it: (1) determines that such changes are likely to result in a more accurate reflection of NAV or a more efficient or less costly procedure for the determination of NAV without having a material adverse effect on the accuracy of such determination; or (2) otherwise reasonably believes a change is appropriate for the determination of NAV.

Limits on the Calculation of NAV per Share

The overarching principle of our valuation guidelines is to produce reasonable estimated values for each of our investments (and other assets and liabilities), or the price that would be received for that investment in orderly transactions between market participants. However, the majority of our assets will consist of real estate properties and, as with any real estate valuation protocol and as described above, the estimated fair values of real properties are based on a number of judgments, assumptions or opinions about future events that may or may not prove to be correct. The use of different judgments, assumptions or opinions could result in a different estimate of the value of our real properties. Our NAV per share amounts may change materially if the appraised values of our properties materially change from prior appraisals or the actual operating results for a particular month differ from what we originally budgeted for that month and it may be difficult to reflect, fully and accurately, material events that may impact our monthly NAV. Although the methodologies contained in the valuation procedures are designed to operate reliably within a wide variety of circumstances, it is possible that in certain unanticipated situations or after the occurrence of certain extraordinary events (such as a terrorist attack or an act of nature), our ability to implement and coordinate our NAV procedures may be impaired or delayed, including in circumstances where there is a delay in accessing or receiving information from vendors or other reporting agents. Further, the NAV per share should not be viewed as being determinative of the value of our common stock that may be received

in a sale to a third party or the value at which our stock would trade on a national stock exchange. Our board of directors may suspend any future offerings and the share redemption program if it determines that the calculation of NAV may be materially incorrect or there is a condition that restricts the valuation of a material portion of our assets.

Net Asset Value

August 31, 2023 NAV

Our total NAV presented in the following tables includes the NAV of our Class C common shares, and Class F common shares, as well as OP Units held by parties other than the Company. The following table provides a breakdown of the major components of our NAV as of August 31, 2023 (in thousands):

Components of NAV	August 31, 2023
Investment in real estate	$789,030
Cash and cash equivalents	6,869
Other assets	13,691
Mortgage notes	(373,120)
Other liabilities	(12,230)
Non-controlling interest	(3,770)
Aggregate fund NAV	$420,470
Total Fund Interests outstanding	19,071

The following table provides a breakdown of our total NAV and NAV per share/unit, by class, as of August 31, 2023:

	Class C Shares	Class F Shares	Class C OP Units	Class F OP Units	Total
Net asset value	$476,758	0	$88,143,009	$331,850,182	$420,469,948
Number of outstanding shares/units	21,623	0	3,997,750	15,051,155	19,070,529
NAV per share/unit as of 8/31/2023	$22.0482	$22.0482	$22.0482	$22.0482	$22.0482

The valuations of our real properties as of August 31, 2023 were provided by the Independent Valuation Advisor in accordance with our valuation procedures. Certain key assumptions that were used by the Independent Valuation Advisor in the discounted cash flow analysis are set forth (on a weighted average basis) in the following table:

Property Type	Discount Rate	Exit Capitalization Rate
Multifamily[(1)]	6.99%	5.74%

[(1)] Includes one mixed-use property with space that is leased to a Whole Foods Market.

These assumptions are determined by the Advisor (except for investments valued by a third-party appraisal firm) and reviewed by the Independent Valuation Advisor. A change in these assumptions would impact the calculation of the value of our property investments. For example, assuming all other factors remain unchanged, the changes (on a weighted average basis) listed below would result in the following effects on our investment values:

Input	Hypothetical Change	Multifamily Investment Values[(1)]
Discount Rate	0.25% Decrease	+1.90%
	0.25% Increase	-1.84%
Exit Capitalization Rate	0.25% Decrease	+2.71%
	0.25% Increase	-2.49%

[(1)] Excludes the impact on the valuation of the Government Property Lease Excise Tax (GPLET) benefit at one of our properties.

DESCRIPTION OF CAPITAL STOCK

General

We were formed under the laws of the State of Maryland. The rights of our stockholders are governed by Maryland law as well as our charter and bylaws. The following summary of the terms of our stock is a summary of all material provisions concerning our stock and you should refer to the MGCL and our charter and bylaws for a full description. The following summary is qualified in its entirety by the more detailed information contained in our charter and bylaws.

Under our charter, we have authority to issue a total of 3,000,000,000 shares of capital stock. Of the total shares of stock authorized, 2,900,000,000 shares are classified as common stock with a par value of $0.01 per share, 500,000,000 of which are classified as classified as Class T shares, 500,000,000 of which are classified as Class S shares, 500,000,000 of which are classified as Class D shares, 500,000,000 of which are classified as Class I shares, 500,000,000 of which are classified as Class C shares and 400,000,000 of which are classified as Class F shares, and 100,000,000 shares are classified as preferred stock with a par value of $0.01 per share. In addition, our board of directors may amend the charter from time to time, without stockholder approval, to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common Stock

Subject to the restrictions on ownership and transfer of stock set forth in our charter and except as may otherwise be specified in our charter, the holders of common stock will be entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our charter does not provide for cumulative voting in the election of directors. Therefore, the holders of a majority of the outstanding shares of our common stock will be able to elect the entire board of directors. Subject to any preferential rights of any outstanding class or series of shares of stock and to the provisions in the charter regarding the restriction on ownership and transfer of stock, the holders of common stock will be entitled to such distributions as may be authorized from time to time by our board of directors (or a committee of the board of directors) and declared by us out of legally available funds and, upon liquidation, will be entitled to receive all assets available for distribution to the stockholders. All shares of common stock issued will be fully paid and non-assessable. Holders of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares of stock that we may issue.

Our charter also contains a provision permitting the board of directors, without any action by the stockholders, to classify or reclassify any unissued common stock into one or more classes or series by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions and other distributions, qualifications and terms or conditions of redemption of any new class or series of shares of stock.

We will generally not issue certificates for shares of our common stock. Shares of the common stock will be held in “uncertificated” form, which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. SS&C GIDS, Inc. will act as our registrar and as the transfer agent for its shares. Transfers can be effected simply by mailing to the transfer agent a transfer and assignment form, which we will provide to you at no charge upon written request.

Class F Shares

Class F shares will bear an asset management fee of 0.75% of the aggregate NAV of Class F shares, which is 40% lower than the rate at which the asset management fee will be borne by Class T, Class S, Class D and Class I shares. Additionally, each Class F share will receive a distribution of a pro rata portion of the Aggregate Class F Percentage Interest, which is portion of the Special Limited Partner's performance participation allocation.

Certain broker dealers may have arrangements with their clients to be paid upfront commissions or other fees in connection with the purchase of Class F shares, including without limitation brokerage commissions and placement fees, provided that such compensation cannot exceed, on a per share basis, 6.5% of the transaction price per share. Any such commissions and fees will be paid by the investor as part of its offering price and not by us. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees.

Class C Shares

Class C shares will bear an asset management fee of 0.75% of the aggregate NAV of Class C shares, which is 40% lower than the rate at which the asset management fee will be borne by Class T, Class S, Class D and Class I shares, when and if issued. No upfront selling commissions are paid by the Company for sales of any Class C shares.

The Class C shares are being offered solely pursuant to our distribution reinvestment plan.

Class T Shares, Class S Shares, Class D Shares and Class I Shares

The Class T shares, Class S shares, Class D shares and Class I shares are not being offered pursuant to this Memorandum, but may be issued in the future.

Rights Upon Liquidation

In the event of any voluntary or involuntary liquidation, merger, dissolution or winding up of us, or any liquidating distribution of our assets, then Class T, Class S, Class D, Class C and Class F shares shall automatically convert into a number of Class I shares (including any fractional shares) with an equivalent NAV as such share. Following such conversion, our aggregate assets available for distribution, or the proceeds therefrom, shall be distributed to each holder of Class I shares, ratably with each other holder of Class I shares, which will include all converted Class T, Class S, Class D, Class C and Class F shares, in such proportion as the number of outstanding Class I shares held by such holder bears to the total number of outstanding Class I shares then outstanding.

Preferred Stock

Our charter authorizes the board of directors to designate and issue one or more classes or series of preferred stock without stockholder approval, and to establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of each class or series of preferred stock so issued. Because the board of directors will have the power to establish the preferences and rights of each class or series of preferred stock, it may afford the holders of any series or class of preferred stock preferences, powers and rights senior to the rights of holders of common stock.

However, following the commencement of an initial public offering by us, the voting rights per share of any series or class of preferred stock sold in a private offering may not exceed voting rights which bear the same relationship to the voting rights of a publicly held share as the consideration paid to us for each privately-held preferred share bears to the book value of each outstanding publicly held share. If we ever created and issued preferred stock with a distribution preference over common stock, payment of any distribution preferences of outstanding preferred stock would reduce the amount of funds available for the payment of distributions on the common stock. Further, holders of preferred stock will normally be entitled to receive a liquidation preference in the event we liquidate, dissolve or wind up before any payment is made to the holders of common stock, likely reducing the amount holders of common stock would otherwise receive upon such an occurrence. In addition, under certain circumstances, the issuance of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities, or the removal of incumbent management.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, commencing in 2024, upon reasonable notice to our stockholders, but no sooner than 30 days after delivery of our annual report to stockholders. Special meetings of stockholders may be called only by a majority of our directors, a majority of the independent directors or the chief executive officer, president or chairman of the board of directors and must be called by our corporate secretary to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast at least 10% of the votes entitled to be cast on such matter at the meeting. Upon receipt of a written request stating the purpose of any such special meeting, our corporate secretary will provide a written notice to the stockholders within 10 days of receipt of such written request, stating the purpose of the meeting and setting a meeting date not less than 15 days nor more than 60 days after the distribution of such notice. The presence either in person or by proxy of stockholders entitled to cast at least 50% of all the votes entitled to be cast on such matter at the meeting on any matter will constitute a quorum. Generally, the affirmative vote of a majority of all votes cast is necessary to take stockholder action, except as described in the next paragraph and except that, following the commencement of an initial public offering by us, the affirmative vote of a majority of the shares represented in person or by proxy at a meeting at which a quorum is present is required to elect a director. Prior to the commencement of an initial public offering by us, a plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present will be sufficient to elect a director.

Under the MGCL and our charter, stockholders will generally be entitled to vote at a duly held meeting at which a quorum is present on (1) amendments to our charter, (2) our liquidation and dissolution, (3) a merger, consolidation, conversion, statutory share exchange or sale or other disposition of all or substantially all of our assets, (4) election or removal of our directors, and (5) such other matters that the board of directors has declared advisable and directed to be submitted to our stockholders for approval or ratification. Except with respect to the election of directors or as otherwise provided in the MGCL or our charter, the vote of stockholders entitled to cast a majority of all the votes entitled to be cast will be required to approve any such action, and no such action can be taken by the board of directors without such majority vote of our stockholders.

Therefore, except with respect to the election or removal of the directors, prior to a stockholder vote, the board of directors must first adopt a resolution that the proposed action is advisable and directing the matter to be submitted to the stockholders. Accordingly, the only proposals to amend our charter or to dissolve us that will be presented to the stockholders will be those that have been declared advisable by the board of directors. Stockholders will not be entitled to exercise any of the rights of an objecting stockholder provided for in Title 3, Subtitle 2 of the MGCL unless the board of directors determines that such rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the

date of the determination in connection with which stockholders would otherwise be entitled to exercise such rights. Stockholders will have the power, without the concurrence of the board of directors, to remove a director from our board of directors with or without cause, by the affirmative vote of a majority of the votes entitled to be cast generally in the election of directors.

Following the commencement of an initial public offering by us, stockholders will be entitled to receive a copy of our stockholder list upon request. The list provided by us will include each stockholder's name, address and telephone number and number of shares of stock owned by each stockholder and will be sent within 10 days of the receipt of the request. The stockholder list will be maintained as part of our books and records and, following the commencement of an initial public offering by us, will be available for inspection by any stockholder or the stockholder's designated agent at our corporate offices upon the request of a stockholder. The stockholder list will be updated at least quarterly to reflect changes in the information contained therein. The copy of the stockholder list will be printed in alphabetical order, on white paper, and in a readily readable type size (in no event smaller than ten-point type). A stockholder requesting a list will be required to pay reasonable costs of postage and duplication. The purposes for which a stockholder may request a copy of the stockholder list following the commencement of an initial public offering by us include, but are not limited to, matters relating to stockholders' voting rights, the exercise of stockholder rights under federal proxy laws and any other proper purpose. If the Advisor or the board of directors neglects or refuses to exhibit, produce or mail a copy of our stockholder list as requested, the Advisor and/or the board of directors, as the case may be, will be liable to any stockholder requesting our stockholder list for the costs, including reasonable attorneys' fees, incurred by that stockholder for compelling the production of the stockholder list, and for actual damages suffered by any such stockholder by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the stockholder list is to secure such list or other information for the purpose of selling the stockholder list or copies thereof, or of using the same for a commercial purpose other than in the interest of the applicant as a stockholder relative to our affairs. We will have the right to request that the requesting stockholder represent to us that the list will not be used to pursue commercial interests unrelated to such stockholder's interest in us. The remedies provided by our charter to stockholders requesting copies of the stockholder list will be in addition to, and will not in any way limit, other remedies available to stockholders under federal law, or the laws of any state.

Furthermore, pursuant to our charter, any stockholder and any designated representative thereof will be permitted access to our corporate records to which such stockholder is entitled under applicable law at all reasonable times, and may inspect and copy any of them for a reasonable charge. Under Maryland law, stockholders will be entitled to inspect and copy only our bylaws, minutes of stockholder proceedings, annual statements of affairs, voting trust agreements and statements of stock and securities issued by us during the period specified by the requesting stockholder, which period may not be longer than 12 months prior to the date of the stockholder's request. Because our stockholders will be entitled to inspect only those corporate records that stockholders are entitled to inspect and copy under Maryland law, our stockholders will not be entitled to inspect and copy the minutes of the meetings of the board of directors, which are records that certain states other than Maryland allow corporate stockholders to inspect and copy. Requests to inspect and/or copy our corporate records must be made in writing to: Forum Multifamily Real Estate Investment Trust, Inc., Attention: Legal Department/General Counsel, 240 Saint Paul Street, Suite 400, Denver, CO 80206. It will be the policy of the board of directors to comply with all proper requests for access to our corporate records in conformity with the charter and Maryland law.

Restrictions on Ownership and Transfer

Beginning on January 29th of the year after the first year for which we elect to be taxed as a REIT for federal income tax purposes, our charter will restrict the number of shares of stock that a person or group may own. No person or group may acquire or hold, directly or indirectly through application of constructive

ownership rules, in excess of 9.8% in value or number of shares, whichever is more restrictive, of our outstanding common stock or 9.8% in value or number of shares, whichever is more restrictive, of our outstanding stock of all classes or series unless they receive an exemption (prospectively or retroactively) from the board of directors. Subject to certain limitations, the board of directors, in its sole discretion, may exempt a person prospectively or retroactively from, or modify, these limits, subject to such terms, conditions, representations and undertakings as may required by our charter and as the board of directors may determine in its sole discretion.

Our charter further prohibits any person from beneficially or constructively owning shares of stock that would result in us being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT and any person from transferring shares of stock if the transfer would result in our stock being beneficially owned by fewer than 100 persons. Any person who acquires or intends to acquire shares of stock that may violate any of these restrictions, or who is the intended transferee of shares of our stock which are transferred to the trust, as described below, will be required to give us immediate written notice, or in the case of a proposed or attempted transaction, give at least 15 days prior written notice, and provide us with such information as we may request in order to determine the effect of the transfer on our status as a REIT. The above restrictions will not apply if the board of directors determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance with such restrictions is no longer required for us to qualify as a REIT.

Any attempted transfer of stock which, if effective, would result in violation of the above limitations, except for a transfer which results in shares being beneficially owned by fewer than 100 persons, in which case such transfer will be void and of no force and effect and the intended transferee will acquire no rights in such shares, will cause the number of shares causing the violation, rounded to the nearest whole share, to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries designated by us and the proposed transferee will not acquire any rights in the shares. The automatic transfer will be deemed to be effective as of the close of business on the business day, as defined in our charter, prior to the date of the transfer. Shares of our stock held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares of stock held in the trust, will have no rights to distributions and no rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust will have all voting rights and rights to distributions or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiaries. Any distribution or other distribution paid prior to our discovery that shares of stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any distribution or other distribution authorized but unpaid will be paid when due to the trustee. Any distribution or distribution paid to the trustee will be held in trust for the charitable beneficiaries. Subject to Maryland law, the trustee will have the authority to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiaries. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of stock have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership limitations. Upon the sale, the interest of the charitable beneficiaries in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiaries as set forth herein. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust, such as a gift, devise or other similar transaction, the market price, as defined in our charter, of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from

the sale or other disposition of the shares. The trustee may reduce the amount payable to the proposed transferee by the amount of distributions which have been paid to the proposed transferee and are owed by the proposed transferor to the transferee. Any net sale proceeds in excess of the amount payable per share to the proposed transferee will be paid immediately to the charitable beneficiaries. If, prior to our discovery that shares of stock have been transferred to the trust, the shares are sold by the proposed transferee, then the shares shall be deemed to have been sold on behalf of the trust and, to the extent that the proposed transferee received an amount for the shares that exceeds the amount transferee was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust, or, in the case of a devise or gift, the market price at the time of the devise or gift and (ii) the market price on the date we, or our designee, accept the offer. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiaries in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee. We may reduce the amount payable to the proposed transferee by the amount of distributions which have been paid to the proposed transferor and are owed to the proposed transferor by the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiaries. If the transfer to the trust as described above is not automatically effective for any reason to prevent violation of the above limitations or us failing to qualify as a REIT, then the transfer of the number of shares that otherwise cause any person to violate the above limitations will be void and the intended transferee shall acquire no rights in such shares.

All certificates, if any, representing shares of our stock issued in the future will bear a legend referring to the restrictions described above.

Every owner of 5% or more of the outstanding shares of our stock during any taxable year, or such lower percentage as required by the Code or the regulations promulgated thereunder or as otherwise required by the board of directors, within 30 days after the end of each taxable year, will be required to give us written notice, stating his or her name and address, the number of shares of each class and series of stock which he or she beneficially owns and a description of the manner in which the shares are held. Each such owner shall provide us with such additional information as we may request in order to determine the effect, if any, of its beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, each stockholder shall, upon demand, be required to provide us with such information as we may request in good faith in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Any subsequent transferee to whom you transfer any of your shares of our stock must also comply with the suitability standards that we will establish for its stockholders.

Distribution Policy

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular monthly distributions of all or substantially all of our REIT taxable income, determined without regard to distributions paid, to our stockholders out of assets legally available for such purposes. Our distribution policy is set by our board of directors and is subject to change. All future distributions will be at the sole discretion of the board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for acquisitions of new properties, general property capital

improvements and debt repayments, (iv) our ability to continue to access additional sources of capital, (v) the requirements of Maryland law, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay, and (vii) any limitations on our distributions contained in our credit or other agreements. We cannot guarantee the amount of distributions paid, if any. You will not be entitled to receive a distribution if your shares are redeemed prior to the applicable time of the record date. In connection with a distribution to stockholders, our board of directors will approve a monthly gross distribution for a certain dollar amount per share of common stock.

The discretion of our board of directors will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flows which we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. Due to these timing differences, we may be required to borrow money, use proceeds from the issuance of securities or sell assets in order to distribute amounts sufficient to satisfy the requirement that we distribute at least 90% of our REIT taxable income in order to qualify as a REIT. See the "Material U.S. Federal Income Tax Considerations" section of this Memorandum for information concerning the U.S. federal income tax consequences of distributions paid by us.

Under the MGCL, our board of directors may delegate to a committee of directors the power to fix the amount and other terms of a distribution. In addition, if our board of directors gives general authorization for a distribution and provides for or establishes a method or procedure for determining the maximum amount of the distribution, our board of directors may delegate to one of our officers the power, in accordance with the general authorization, to fix the amount and other terms of the distribution.

We intend to make regular monthly distributions to holders of shares of our common stock as authorized by our board of directors (or a committee of the board of directors). The per share amount of distributions on Class T, Class S, Class D, Class I, Class C and Class F shares will likely differ because of different class-specific fees that are expected to be deducted from the gross distributions for each share class. Upon commencement of a public offering, if any, class-specific asset management fees may also be deducted from the gross distributions for each share class. Additionally, if the performance participation allocation is earned for a particular year, a pro rata cash distribution of the Aggregate Class F Percentage Interest will be paid by the Operating Partnership with respect to each Class F OP Unit and Class F share. Class F Interests will be entitled to share in the performance participation allocation until such time as they are no longer outstanding.

We cannot assure you that we will generate sufficient cash flows to make distributions to our stockholders or that we will be able to sustain those distributions. We may fund any distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. The extent to which we pay distributions from sources other than cash flow from operations will depend on various factors, including the level of participation in the distribution reinvestment plans of the Company and the Operating Partnership, the extent to which the Advisor elects to receive its management fee in shares of common stock or OP Units and the Special Limited Partner elects to receive distributions of its performance participation allocation in OP Units, how quickly we invest the proceeds from any future securities offering and the performance of our investments. Funding distributions from the sales of assets, borrowings, return of capital or proceeds of a securities offering will result in us having less funds available to acquire properties or other real estate-related investments. As a result, the return you realize on your investment may be reduced. Doing so may also negatively impact our ability to generate cash flows.

Likewise, funding distributions from the sale of additional securities will dilute your interest in us on a percentage basis and may impact the value of your investment. Our distribution policy enables us to review the alternative funding sources available to us from time to time to fund distributions. Our actual results of operations will be affected by a number of factors, including the revenues we receive from our properties, our operating expenses, interest expense, the ability of tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see "Risk Factors."

We anticipate that, at least initially, our distributions will exceed our then current and then accumulated earnings and profits for the relevant taxable year, as determined for U.S. federal income tax purposes, due to non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, all or a portion of the distributions may represent a return of capital for U.S. federal income tax purposes. The extent to which our distributions exceed our current and accumulated earnings and profits may vary substantially from year to year. To the extent that a distribution is treated as a return of capital for U.S. federal income tax purposes, it will reduce a stockholder's adjusted tax basis in the stockholder's shares, and to the extent that it exceeds the stockholder's adjusted tax basis will be treated as gain resulting from a sale or exchange of such shares. As a result, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be decreased (or increased) accordingly. For a more complete discussion of the tax treatment of distributions, see "Material U.S. Federal Income Tax Considerations."

Following the commencement of an initial public offering by us, distributions in kind will not be permitted, except for distributions of readily marketable securities, distributions of beneficial interests in a liquidating trust established for our dissolution and the liquidation of our assets in accordance with the terms of our charter or distributions in which (a) our board of directors advises each stockholder of the risks associated with direct ownership of the property, (b) our board of directors offers each stockholder the election of receiving such in-kind distributions, and (c) in-kind distributions are made only to those stockholders that accept such offer. Our stockholders who receive distributions in kind of marketable securities may incur transaction expenses in liquidating the securities.

Distribution Reinvestment Plan

We have adopted a distribution reinvestment plan that allows our stockholders to have their cash distributions attributable to the class of shares owned reinvested in additional shares of the same class; provided that cash distributions attributable to Class F shares held by participants in the plan will be automatically reinvested in shares of Class C common stock. However, distributions attributable to the allocation of a portion of the performance participation allocation to Class F shares will not be eligible for the distribution reinvestment plan. A copy of our distribution reinvestment plan is included as Appendix B to this Memorandum. You may choose to enroll as a participant in our distribution reinvestment plan by completing the subscription agreement attached hereto as Appendix A, the enrollment form or by other written notice to the plan administrator. Participation in the plan will begin with the next distribution made after acceptance of your written notice.

The per share purchase price for shares purchased pursuant to the distribution reinvestment plan will be equal to the transaction price in effect on the distribution date. However, our board of directors may determine, in its sole discretion, to have any distributions paid in cash without notice to participants, without suspending the plan and without affecting the future operation of the plan with respect to participants. Stockholders do not pay selling commissions on shares purchased pursuant to the distribution reinvestment plan. Shares acquired under the distribution reinvestment plan entitle the participant to the same rights and will be treated in the same manner as shares of that class purchased in this offering.

We reserve the right to amend any aspect of our distribution reinvestment plan without the consent of our stockholders, provided that notice of any material amendment is sent to participants at least 10 days prior to the effective date of that amendment. Our board of directors may amend, suspend or terminate the distribution reinvestment plan for any reason at any time upon 10 days' prior notice to participants. We may provide notice by including such information in a supplement to this Memorandum. Participation in the plan may also be terminated with respect to any person to the extent that a reinvestment of distributions in shares of our common stock would cause the share ownership limitations contained in our charter to be violated. Following any termination of the distribution reinvestment plan, all subsequent distributions to stockholders would be made in cash.

If a stockholder elects to participate in the distribution reinvestment plan, the stockholder will be treated as receiving, in lieu of the reinvested distribution, a distribution of additional shares of the same class of common stock on which the distribution is made; provided that cash distributions attributable to Class F shares held by participants in the plan will be automatically reinvested in shares of Class C common stock. If the stockholder is subject to U.S. federal income taxation, the stockholder will be treated for U.S. federal income tax purposes as if he or she has received a dividend, to the extent of our current and accumulated earnings and profits, in an amount equal to the fair value on the relevant distribution date of the shares of the class of common stock purchased with the reinvested distributions, and will be taxed on the amount of such distribution as ordinary income to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain dividend in which event the appropriate portion of the distribution will be treated as long-term capital gain to the extent the distribution does not exceed our current and accumulated earnings and profits. See "Material U.S. Federal Income Tax Considerations—Taxation of Taxable U.S. Stockholders" and "Material U.S. Federal Income Tax Considerations—Special Tax Considerations for Non-U.S. Stockholders." However, the tax consequences of participating in our distribution reinvestment plan will vary depending upon each participant's particular circumstances and you are urged to consult your own tax advisor regarding the specific tax consequences to you of participation in the distribution reinvestment plan.

All material information regarding the distributions to stockholders and the effect of reinvesting the distributions, including tax information with respect to income earned on shares under the plan for the calendar year, will be provided to the stockholders at least annually.

Participants may terminate participation in the distribution reinvestment plan at any time, without penalty, by providing 10 days' prior written notice of such election to withdraw in a form acceptable to us.

Holders of OP Units may also have cash otherwise distributable to them by the Operating Partnership invested in shares having the same class designation as the class of OP Units to which the distribution is attributable at a price equal to the transaction price in effect on the distribution date; provided that cash distributions attributable to Class F OP Units held by participants in the plan will be automatically reinvested in Class C shares.

Share Redemption Program

We expect that there will be no regular secondary trading market for shares of our common stock. While you should view your investment as long-term with limited liquidity, we have adopted a share redemption program applicable to all shares of our common stock, whereby stockholders may receive the benefit of limited liquidity by presenting for redemption to us all or any portion of those shares in accordance with the procedures and subject to certain conditions and limitations described below. All references herein to classes of shares of our common stock do not include the OP Units issued by our Operating Partnership, unless the context otherwise requires.

Due to the illiquid nature of investments in real property, we may not have sufficient liquid resources to fund redemption requests. In addition, we have established limitations on the amount of funds we may use for redemptions and the amount of shares that may be redeemed. See "—Redemption Limitations" below. Further, our board of directors has the right to modify or suspend our share redemption program if in its reasonable judgment it deems such action to be in our best interest and the best interest of our stockholders.

A stockholder's request for redemption in accordance with any of the special treatment described below in the event of the death or qualifying disability of a stockholder must be submitted within 18 months of the death of the stockholder or the initial determination of the stockholder's disability (which we define as such term is defined in Section 72(m)(7) of the Code), as further described below.

There is no fee in connection with a redemption of shares of our common stock.

You may request that we redeem shares of our common stock through your financial advisor or directly with us by contacting us at FMREIT@forumcapadvisors.com or 888-479-4008. We will generally adhere to the following procedures relating to the redemption of shares of our common stock:

- Under our share redemption program, to the extent we choose to redeem shares in any particular month, we will only redeem shares as of the last calendar day of that month (a "Redemption Date"). To have your shares redeemed, your redemption request and required documentation must be received in good order by 4:00 p.m. (Eastern time) on the second to last business day of the applicable month. Settlements of share redemptions will be made within three business days of the Redemption Date. Redemption requests received and processed by our transfer agent will be effected at a redemption price equal to the transaction price on the applicable Redemption Date, subject to any Early Redemption Deduction. Although the transaction price for shares of our common stock will generally be based on the most recently disclosed monthly NAV per share, the NAV per share of such stock as of the Redemption Date may be significantly different. If the transaction price for the applicable month is not made available by the tenth business day prior to the last business day of the month (or is changed after such date), then no redemption requests will be accepted for such month and stockholders who wish to have their shares redeemed the following month must resubmit their redemption requests.

- A stockholder may withdraw his or her redemption request by notifying the transfer agent, directly or through the stockholder's financial intermediary, on our toll-free, automated telephone line, 888-479-4008. The line is open on each business day between the hours of 9:00 a.m. and 6:00 p.m. (Eastern time). Redemption requests must be cancelled before 4:00 p.m. (Eastern time) on the last business day of the applicable month.

- If a redemption request is received after 4:00 p.m. (Eastern time) on the second to last business day of the applicable month, the purchase order will be executed, if at all, on the next month's Redemption Date at the transaction price applicable to that month (subject to any Early Redemption Deduction), unless such request is withdrawn prior to the redemption. Redemption requests received and processed by our transfer agent on a business day, but after the close of business on that day or on a day that is not a business day, will be deemed received on the next business day.

- Redemption requests may be made by mail or by contacting your financial intermediary, both subject to all of the conditions set forth in our share redemption program. If making a redemption request by contacting your financial intermediary, your financial intermediary may require you to provide certain documentation or information. If making a redemption request

by mail to the transfer agent, you must complete and sign a redemption authorization form. Written requests should be sent to the transfer agent at the following address:

For regular mail:	**For overnight deliveries:**
Forum Investment Group LLC	Forum Multifamily Real Estate Investment Trust, Inc.
c/o SS&C GIDS, Inc.	c/o SS&C GIDS, Inc.
PO Box 219079	430 West 7th Street, Suite 219079
Kansas City, Missouri 64121-9079	Kansas City, Missouri 64105

Toll-Free Number: 888-479-4008

Corporate investors and other non-individual entities must have an appropriate certification on file authorizing redemptions. A signature guarantee may be required.

- For processed redemptions, stockholders may request that redemption proceeds are to be paid by mailed check provided that the amount is less than $100,000 and the check is mailed to an address on file with the transfer agent for at least 30 days.

- Processed redemptions of more than $100,000 will be paid only via ACH or wire transfer. For this reason, stockholders who own more than $100,000 of our common stock must provide bank instructions for their brokerage account or designated U.S. bank account. Stockholders who own less than $100,000 of our common stock may also receive redemption proceeds via ACH or wire transfer, provided the payment amount is at least $2,500. For all redemptions paid via wire transfer, the funds will be wired to the account on file with the transfer agent or, upon instruction, to another financial institution provided that the stockholder has made the necessary funds transfer arrangements. The customer service representative can provide detailed instructions on establishing funding arrangements and designating your bank or brokerage account on file. Funds will be sent only to U.S. financial institutions (ACH network members).

- A medallion signature guarantee may be required in certain circumstances. The medallion signature process protects stockholders by verifying the authenticity of a signature and limiting unauthorized fraudulent transactions. A medallion signature guarantee may be obtained from a domestic bank or trust company, broker dealer, clearing agency, savings association or other financial institution which participates in a medallion program recognized by the Securities Transfer Association. The three recognized medallion programs are the Securities Transfer Agents Medallion Program, the Stock Exchanges Medallion Program and the New York Stock Exchange, Inc. Medallion Signature Program. Signature guarantees from financial institutions which are not participating in any of these medallion programs will not be accepted. A notary public cannot provide signature guarantees. We reserve the right to amend, waive or discontinue this policy at any time and establish other criteria for verifying the authenticity of any redemption or transaction request. We may require a medallion signature guarantee if, among other reasons: (1) the amount of the redemption request is over $500,000; (2) you wish to have redemption proceeds transferred by wire to an account other than the designated bank or brokerage account on file for at least 30 days or sent to an address other than your address of record for the past 30 days; or (3) our transfer agent cannot confirm your identity or suspects fraudulent activity.

- If a stockholder has made multiple purchases of shares of our common stock, any redemption request will be processed on a first in/first out basis unless otherwise requested in the redemption request.

Minimum Account Redemptions

In the event that any stockholder fails to maintain the minimum balance of $2,000 of shares of our common stock, we may redeem all of the shares held by that stockholder at the redemption price in effect on the date we determine that the stockholder has failed to meet the minimum balance. Minimum account redemptions will apply even in the event that the failure to meet the minimum balance is caused solely by a decline in our NAV.

Sources of Funds for Redemptions

We may, in the Advisor's discretion, after taking the interests of our company as a whole and the interests of our remaining stockholders into consideration, use proceeds from any available sources at our disposal to satisfy redemption requests, subject to the limitation on the amount of funds we may use described below under "—Redemption Limitations." Potential sources of funding redemptions include, but are not limited to, cash on hand, cash available from borrowings, cash from the sale of shares of our common stock and cash from liquidations of investments, to the extent that such funds are not otherwise dedicated to a particular use, such as working capital, distributions to stockholders, purchases of real property, debt-related or other investments or redemption of OP Units.

Although the vast majority of our assets consist of properties that cannot generally be readily liquidated on short notice without impacting our ability to realize full value upon their disposition, we intend to maintain a number of sources of liquidity including (i) cash equivalents (e.g. money market funds), other short-term investments, U.S. government securities, agency securities and liquid real estate-related securities and (ii) one or more borrowing facilities. We may fund redemptions from any available source of funds, including operating cash flows, borrowings, proceeds from the offering and/or sales of our assets.

Redemption Limitations

We may redeem fewer shares than have been requested in any particular month to be redeemed under the share redemption program, or none at all, in our discretion at any time. The total amount of aggregate redemptions of Class T, Class S, Class D, Class I, Class C and Class F shares (based on the price at which the shares are redeemed) will be limited for each calendar month to 2% of the aggregate NAV of all classes as of the last calendar day of the previous month and for each calendar quarter will be limited to 5% of the aggregate NAV of all classes of shares as of the last calendar day of the previous calendar quarter. In the event that we determine to redeem some but not all of the shares submitted for redemption during any month, shares redeemed at the end of the month will be redeemed on a pro rata basis. All unsatisfied redemption requests must be resubmitted after the start of the next month or quarter, or upon the recommencement of the share redemption program, as applicable.

With respect to the limitations described above, (i) provided that the share redemption program has been operating and not suspended for the first month of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for that month will carry over to the second month and (ii) provided that the share redemption program has been operating and not suspended for the first two months of a given quarter and that all properly submitted redemption requests were satisfied, any unused capacity for those two months will carry over to the third month. In no event will such carry-over capacity permit the redemption of shares with aggregate value (based on the redemption price per share for the month the redemption is effected) in excess of 5% of the combined NAV of all classes of shares as of the last

calendar day of the previous calendar quarter (provided that for these purposes redemptions may be measured on a net basis as described in the paragraph below).

We currently measure the foregoing redemption allocations and limitations based on net redemptions during a month or quarter, as applicable. The term "net redemptions" means, during the applicable period, the excess of our share redemptions (capital outflows) over the proceeds from the sale of our shares (capital inflows). Thus, for any given calendar quarter, the maximum amount of redemptions during that quarter will be equal to (1) 5% of the combined NAV of all classes of shares as of the last calendar day of the previous calendar quarter, plus (2) proceeds from sales of new shares in an offering (including purchases pursuant to our distribution reinvestment plan) since the beginning of the current calendar quarter. The same would apply for a given month, except that redemptions in a month would be subject to the 2% limit described above (subject to potential carry-over capacity), and netting would be measured on a monthly basis. With respect to future periods, our board of directors may choose whether the allocations and limitations will be applied to "gross redemptions" (i.e., without netting against capital inflows) rather than to net redemptions. If redemptions for a given month or quarter are measured on a gross basis rather than on a net basis, the redemption limitations could limit the amount of shares redeemed in a given month or quarter despite our receiving a net capital inflow for that month or quarter. In order for our board of directors to change the application of the allocations and limitations from net redemptions to gross redemptions or vice versa, we will provide notice to stockholders at least 10 days before the first business day of the quarter for which the new test will apply. The determination to measure redemptions on a gross basis, or vice versa, will only be made for an entire quarter, and not particular months within a quarter.

If the transaction price for the applicable month is not made available by the 10th business day prior to the last business day of the month (or is changed after such date), then no redemption requests will be accepted for such month and stockholders who wish to have their shares redeemed the following month must resubmit their redemption requests.

Material Modification, Suspension or Termination

As described above, should redemption requests, in our judgment, place an undue burden on our liquidity, adversely affect our operations or risk having an adverse impact on the Company as a whole, or should we otherwise determine that investing our liquid assets in real properties or other illiquid investments rather than repurchasing our shares is in the best interests of the Company as a whole, we may choose to redeem fewer shares in any particular month than have been requested to be redeemed, or none at all. Further, our board of directors may modify or suspend our share redemption program if in its reasonable judgment it deems such actions to be in our best interest and the best interest of our stockholders. Although our board of directors has the discretion to suspend our share redemption program, our board of directors will not terminate our share redemption program other than in connection with a liquidity event which results in our stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. Our board of directors may determine that it is in our best interests and the interest of our stockholders to suspend the share redemption program as a result of regulatory changes, changes in law, if our board of directors becomes aware of undisclosed material information that it believes should be publicly disclosed before shares are redeemed, a lack of available funds, a determination that redemption requests are having an adverse effect on our operations or other factors. Once the share redemption program has been suspended, our board of directors must affirmatively authorize the re-commencement of the program before stockholder requests will be considered again. Following any suspension, our share redemption program requires our board of directors to consider at least quarterly whether the continued suspension of the program is in our best interest and the best interest of our stockholders; however, we are not required to authorize the re-commencement of the share redemption program within any specified period of time and any suspension may be for an indefinite period, which would be tantamount to a termination. Material modifications to the share redemption program, including,

without limitation, any amendment to the limitations on redemptions, as well as the suspension of the share redemption program will be promptly disclosed to stockholders in a supplement to this Memorandum. Any modification, suspension or termination of our share redemption program will not affect the rights of holders of OP Units to cause us to redeem their OP Units pursuant to the OP Agreement.

Early Redemption Deduction

There is no minimum holding period under the share redemption program and stockholders can request that we redeem their shares at any time. However, subject to limited exceptions, shares of our common stock that have not been outstanding for at least one year will be redeemed at 95% of the transaction price. This deduction is referred to as the "Early Redemption Deduction."

Additionally, stockholders who have received shares of our common stock in exchange for their OP Units may include the period of time such stockholder held such OP Units for purposes of calculating the holding period for such shares of our common stock. The Early Redemption Deduction will not apply to shares acquired through our distribution reinvestment plan. The Early Redemption Deduction will inure indirectly to the benefit of our remaining stockholders and is intended to offset the trading costs, market impact and other costs associated with short-term trading in our common stock. We may, from time to time, waive the Early Redemption Deduction in the following circumstances:

- redemptions resulting from death or qualifying disability; or
- with respect to shares purchased through our distribution reinvestment plan or received from us as a stock dividend.

In addition, the Early Redemption Deduction may not apply to transactions initiated by the trustee or advisor to a donor-advised charitable gift fund, collective trust fund, common trust fund, fund of fund(s) or other institutional accounts, strategy funds or programs if we determine, in our sole discretion, such account, fund or program has an investment strategy or policy that is reasonably likely to control short-term trading. Further, shares of our common stock may be sold to certain employer sponsored plans, bank or trust company accounts and accounts of certain financial institutions or intermediaries for which we may not apply the Early Redemption Deduction to the underlying stockholders, often because of administrative or systems limitations. The Early Redemption Deduction also will not apply to shares taken by the Advisor in lieu of fees or expense reimbursements under the Advisory Agreement or OP Agreement.

From time to time, our board of directors may authorize waivers of the Early Redemption Deduction for specified periods of time with respect to future redemptions for all investors upon the occurrence of specific circumstances other than personal circumstances (e.g., significant corporate changes, natural disasters) that it determines, in its sole discretion, do not raise concerns over short-term trading. Any such waivers will apply to all investors and apply on a prospective basis only, and will remain effective for at least three full monthly redemption periods.

Redemptions In the Event of Death or Disability

As set forth above, we may waive certain of the terms and requirements of our share redemption program in respect of the redemption of shares resulting from the death of a stockholder who is a natural person, subject to the conditions and limitations described above, including shares held by such stockholder through a revocable grantor trust or an IRA or other retirement or profit-sharing plan, after receiving written notice from the estate of the stockholder, the recipient of the shares through bequest or inheritance, or, in the case of a revocable grantor trust, the trustee of such trust, who shall have the sole ability to request redemption on behalf of the trust. We must receive the written redemption request within 18 months after the death of the stockholder in order for the requesting party to rely on any of the special treatment described

above that may be afforded in the event of the death of a stockholder. Such a written request must be accompanied by a certified copy of the official death certificate of the stockholder. If spouses are joint registered holders of shares, the request to have the shares redeemed may be made if either of the registered holders dies. If the stockholder is not a natural person, such as certain trusts or a partnership, corporation or other similar entity, the right of redemption upon death does not apply.

Furthermore, as set forth above, we may waive certain of the terms and requirements of our share redemption program in respect of the redemption of shares held by a stockholder who is a natural person who is deemed to have a qualifying disability (as such term is defined in Section 72(m)(7) of the Code), subject to the conditions and limitations described above, including shares held by such stockholder through a revocable grantor trust, or an IRA or other retirement or profit-sharing plan, after receiving written notice from such stockholder, provided that the condition causing the qualifying disability was not pre-existing on the date that the stockholder became a stockholder. We must receive the written redemption request within 18 months of the initial determination of the stockholder's disability in order for the stockholder to rely on any of the waivers described above that may be granted in the event of the disability of a stockholder. If spouses are joint registered holders of shares, the request to have the shares redeemed may be made if either of the registered holders acquires a qualifying disability. If the stockholder is not a natural person, such as certain trusts or a partnership, corporation or other similar entity, the right of redemption upon disability does not apply.

Items of Note

When you make a request to have shares redeemed, you should note the following:

- if you are requesting that some but not all of your shares be redeemed, keep your balance above $2,000 to avoid minimum account redemption, if applicable;
- you will not receive interest on amounts represented by uncashed redemption checks;
- under applicable anti-money laundering regulations and other federal regulations, redemption requests may be suspended, restricted or canceled and the proceeds may be withheld; and
- all shares of our common stock requested to be redeemed must be beneficially owned by the stockholder of record making the request or his or her estate, heir or beneficiary, or the party requesting the redemption must be authorized to do so by the stockholder of record of the shares or his or her estate, heir or beneficiary, and such shares of common stock must be fully transferable and not subject to any liens or encumbrances. In certain cases, we may ask the requesting party to provide evidence satisfactory to us that the shares requested for redemption are not subject to any liens or encumbrances. If we determine that a lien exists against the shares, we will not be obligated to redeem any shares subject to the lien.

IRS regulations require us to determine and disclose on Form 1099-B the adjusted cost basis for shares of our stock sold or redeemed. Although there are several available methods for determining the adjusted cost basis, unless you elect otherwise, which you may do by checking the appropriate box on the redemption form or calling our customer service number at 888-479-4008, we will utilize the first-in-first-out method.

The U.S. federal income tax consequences to you of participating in our share redemption program will vary depending upon your particular circumstances, and you are urged to consult your own tax advisor regarding the specific tax consequences to you of participation in our share redemption program.

You will not relinquish your shares until we redeem them. The shares we redeem under our share redemption program will be cancelled and will have the status of authorized but unissued shares. We will not resell such shares to the public unless such sales are first registered with the SEC under the Securities Act and under appropriate state securities laws or are exempt under such laws.

The transaction price approved by our board of directors in the future may be higher or lower than the most recently disclosed transaction price. The transaction price is not a representation, warranty or guarantee that (i) a stockholder would be able to realize such per share amount if such stockholder attempts to sell his or her shares; (ii) a stockholder would ultimately realize distributions per share equal to such per share amount upon our liquidation or sale; (iii) shares of our common stock would trade at such per share amount on a national securities exchange; or (iv) a third party would offer such per share amount in an arm's-length transaction to purchase all or substantially all of our shares of common stock.

Mail and Telephone Instructions

We and our transfer agent will not be responsible for the authenticity of mail or phone instructions or losses, if any, resulting from unauthorized stockholder transactions if they reasonably believe that such instructions were genuine. We and our transfer agent have established reasonable procedures to confirm that instructions are genuine including requiring the stockholder to provide certain specific identifying information on file and sending written confirmation to stockholders of record no later than five days following execution of the instruction. Stockholders, or their designated custodian or fiduciary, should carefully review such correspondence to ensure that the instructions were properly acted upon. If any discrepancies are noted, the stockholder, or its agent, should contact his, her or its financial advisor as well as our transfer agent in a timely manner, but in no event more than 60 days from receipt of such correspondence. Failure to notify such entities in a timely manner will relieve us, our transfer agent and the financial advisor of any liability with respect to the discrepancy.

CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS

The following description of the terms of certain provisions of Maryland law and our charter and bylaws is only a summary. For a complete description, we refer you to the MGCL, our charter and bylaws.

Business Combinations

Under the MGCL, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10.0% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10.0% or more of the voting power of the then outstanding stock of the corporation

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he, she or it otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80.0% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares of stock held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if, among other things, the Maryland corporation's holders of common stock receive a minimum price, as defined under the MGCL, for their shares of common stock and the consideration is received in cash or in the same form as previously paid by the interested stockholder.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors plans to adopt a resolution providing that any business combination between us and any other person, including an entity owned or controlled by Darren Fisk, is exempted from this statute, provided that such business combination is first approved by the board of directors. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed or the board of directors fails to first approve the business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

The MGCL provides that a holder of control shares of a Maryland corporation acquired in a control share acquisition has no voting rights except to the extent approved by a vote of stockholders entitled to cast two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by the acquiror, by officers or by employees who are directors of the corporation are excluded from shares of stock entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror 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 of stock the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the Maryland corporation. A control share acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares of stock. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the Maryland corporation may itself present the question at any stockholders' meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the Maryland corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of any meeting of stockholders at which the voting rights of the shares of stock are considered and not approved or, if no such meeting is held, as of the date of the last control share acquisition by the acquiror. If voting rights for control shares are approved at a stockholders' meeting and the acquiror becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares of stock as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (1) to shares of stock acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (2) to acquisitions approved or exempted by the charter or bylaws of the Maryland corporation.

Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions of our stock by any person, including Darren Fisk. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 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 and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board of directors;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board of directors be filled only by the remaining directors and 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.

In our charter, we elected that, at such time as we become eligible to make the election, vacancies on our board of directors be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Such election will be applicable for us at such time as we become eligible to make such election unless our charter is subsequently amended. Through provisions in our charter and bylaws unrelated to Subtitle 8, we have vested in the board of directors the exclusive power to fix the number of directorships, provided that the number is not less than the minimum number permitted by the MGCL (or, following the commencement of an initial public offering by us, three). We have not elected to be subject to any of the other provisions of Subtitle 8.

Vacancies on Board of Directors; Removal of Directors

Following the effectiveness of the election described above, any vacancy on our board of directors may be filled only by a vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is duly elected and qualifies. Following the commencement of an initial public offering by us, the independent directors will choose the nominees to fill vacancies in the independent director positions.

Any director may resign at any time and may be removed with or without cause by the stockholders upon the affirmative vote of stockholders entitled to cast at least a majority of all the votes entitled to be cast generally in the election of directors. The notice of any special meeting called for the purpose of the proposed removal shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by our stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors or (3) by a stockholder who is a stockholder of record at the record date set by the board of directors for the purpose of determining stockholders entitled to vote at the annual meeting, at the time of giving the advance notice required by the bylaws and at the time of the meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual nominated

or on such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (1) by or at the direction of the board of directors or (2) provided that the meeting has been called for the purpose of electing directors, by a stockholder who is a stockholder of record at the record date set by the board of directors for the purpose of determining stockholders entitled to vote at the special meeting, at the time of giving the advance notice required by the bylaws and at the time of the meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual nominated and who has complied with the advance notice provisions of the bylaws.

Tender Offers

Our charter provides that any tender offer made by any person, including any "mini-tender" offer, must comply with the provisions of Regulation 14D of the Exchange Act, including the notice and disclosure requirements. Among other things, the offeror must provide us notice of such tender offer at least 10 business days before initiating the tender offer. If a person makes a tender offer that does not comply with such provisions, we may elect to grant tendering stockholders a rescission right with respect to their tendered shares. In addition, the non-complying offeror will be responsible for all of our expenses in connection with that offeror's noncompliance.

Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

The business combination provisions and the control share acquisition provisions of Maryland law, the provision of our charter that elected to be subject to a provision of Subtitle 8, and the advance notice provisions that our bylaws contain could delay, defer or prevent a transaction or a change in control of us that might involve a premium price for stockholders or otherwise be in their best interest.

CERTAIN PROVISIONS OF DELAWARE LAW AND THE OP AGREEMENT

The following is a summary of the material provisions of the OP Agreement. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to applicable provisions of the Delaware Revised Uniform Limited Partnership Act, as amended, and the finalized OP Agreement.

General

The Operating Partnership is formed as a Delaware limited partnership to own real property, debt and other investments that will be acquired and actively managed by the Advisor on our behalf. We utilize an UPREIT structure generally to enable us to acquire real property in exchange for OP Units from owners who desire to defer taxable gain that would otherwise normally be recognized by them upon the disposition of their real property or the transfer of their real property to us in exchange for shares of common stock or cash.

We intend to hold substantially all of our assets in the Operating Partnership or in subsidiary entities in which the Operating Partnership owns an interest, and we intend to make future acquisitions of real properties using the UPREIT structure. For purposes of satisfying the asset and gross income tests for qualification as a REIT for U.S. federal income tax purposes, our proportionate share of the assets and income of the Operating Partnership will be deemed to be our assets and income.

Through our wholly owned subsidiary, FMREIT GP, we are the sole general partner of the Operating Partnership and own 100% of the general partnership interests. As of August 1, 2023, we own, directly or indirectly, 8,000 OP Units, and investors own an aggregate of 19,056,905.182 OP Units. Additionally, Special Limited Partner, a wholly owned subsidiary of the Advisor, owns a special limited partnership interest in the Operating Partnership.

As the sole member of the General Partner, we have the exclusive power to manage and conduct the business of the Operating Partnership. A general partner is accountable to a limited partnership as a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs. No limited partner of the Operating Partnership may transact business for the Operating Partnership, or participate in management activities or decisions, except as provided in the OP Agreement and as required by applicable law. Under the OP Agreement, FMREIT GP may not be removed as general partner by the limited partners. Our board of directors will, at all times have, oversight and policy-making authority, including responsibility for governance, financial controls, compliance and disclosure with respect to the Operating Partnership. However, pursuant to the Advisory Agreement, we delegate to the Advisor authority to make decisions related to our management and the management of the Operating Partnership's assets, including sourcing, evaluating and monitoring investment opportunities and making decisions related to the acquisition, management, financing and disposition of our assets, in accordance with our investment objectives, guidelines, policies and limitations, subject to oversight by our board of directors.

The limited partners, the Special Limited Partner, and any future limited partners of the Operating Partnership expressly acknowledge that we, through FMREIT GP, are acting on behalf of the Operating Partnership, ourselves and our stockholders collectively. Neither we nor our board of directors is under any obligation to give priority to the separate interests of the limited partners of the Operating Partnership or our stockholders in deciding whether to cause the Operating Partnership to take or decline to take any actions. If there is a conflict between the interests of our stockholders on the one hand and the Operating Partnership's limited partners on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the Operating Partnership's limited partners, provided, however, that for so long as we own a controlling interest in the Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the Operating Partnership's limited partners

may be resolved in favor of our stockholders. We will not be liable under the OP Agreement to the Operating Partnership or to any of its limited partners for monetary damages for losses sustained, liabilities incurred or benefits not derived by such limited partners in connection with such decisions, provided that we have acted in good faith.

The OP Agreement requires that the Operating Partnership be operated in a manner that will enable us to (1) satisfy the requirements for qualification as a REIT for U.S. federal income tax purposes, unless we otherwise ceases to qualify as a REIT, (2) avoid any material U.S. federal income or excise tax liability and (3) ensure that the Operating Partnership will not be classified as a "publicly traded partnership" that is taxable as a corporation. See "Material U.S. Federal Income Tax Considerations."

Capital Contributions

As we accept subscriptions for shares of our common stock, we will transfer substantially all of the net offering proceeds to the Operating Partnership in exchange for OP Units of the same class as the applicable shares with respect to which offering proceeds have been received. Such OP Units will have economic terms that vary based upon the class of shares issued. However, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors, and the Operating Partnership will be deemed to have simultaneously paid the fees, commissions and other costs associated with the offering.

If the Operating Partnership requires additional funds at any time in excess of capital contributions, we may borrow funds from a financial institution or other lender and lend such funds to the Operating Partnership. In addition, we are authorized to cause the Operating Partnership to issue OP Units for less than fair market value if we conclude in good faith that such issuance is in the best interest of the Operating Partnership and us.

OP Units

OP Units represent an interest as a limited partner in the Operating Partnership. The Operating Partnership may issue additional OP Units and classes of OP Units with rights different from, and superior to, those of limited partnership units of any class, without the consent of the limited partners or the stockholders. Holders of OP Units will not have any preemptive rights with respect to the issuance of additional units.

Limited partners of any class will not have the right to participate in the management of the Operating Partnership. Limited partners of any class who do not participate in the management of the Operating Partnership, by virtue of their status as limited partners, generally will not be liable for the debts and liabilities of the Operating Partnership beyond the amount of their capital contributions. The voting rights of the limited partners of any class will generally be limited to approval of specific types of amendments to the OP Agreement.

The Operating Partnership, in addition to the Special Limited Partner interest and general partnership interest, will have classes of OP Units that correspond to our six classes of common stock: Class T OP Units, Class S OP Units, Class D OP Units, Class I OP Units, Class C OP Units and Class F OP Units.

Class T, S, D, I, C and F OP Units

In general, Class T OP Units, Class S OP Units, Class D OP Units, Class I OP Units, Class C OP Units and Class F OP Units correspond on a one-for-one basis with Class T shares, Class S shares, Class D shares, Class I shares, Class C shares and Class F shares. When we receive proceeds from the sale of shares

of our common stock, we will contribute such proceeds to the Operating Partnership and receive OP Units that correspond to the classes of our shares sold.

In general, each Class T OP Unit, Class S OP Unit, Class D OP Unit, Class I OP Unit, Class C OP Unit and Class F OP Unit share in distributions from the Operating Partnership when such distributions are declared by the General Partner, which decision will be made in our sole discretion. In addition, a portion of the items of income, gain, loss and deduction of the Operating Partnership for U.S. federal income tax purposes will be allocated to each limited partnership unit, regardless of whether any distributions are made by the Operating Partnership.

For each Class T OP Unit, Class S OP Unit, Class D OP Unit, Class I OP Unit, Class C OP Unit or Class F OP Unit, investors generally are required to contribute money or property, with a net equity value determined by the General Partner. Holders of OP Units will not be obligated to make additional capital contributions to the Operating Partnership. Further, these holders will not have the right to make additional capital contributions to the Operating Partnership or to purchase additional OP Units without the General Partner's consent, which decision will be made in our sole discretion.

Class C and Class F OP Units have certain unique features, as described below.

Class C

Class C OP Units bear an asset management fee of 0.75% of the aggregate NAV of Class C OP Units, which is 40% lower than the rate at which the asset management fee will be borne by Class T, Class S, Class D and Class I OP Units.

Class F

Similar to Class C OP Units, Class F OP Units bear an asset management fee of 0.75% of the aggregate NAV of Class F OP Units, which is 40% lower than the rate at which the asset management fee will be borne by Class T, Class S, Class D and Class I OP Units. Additionally, each Class F OP Unit will receive a distribution of a pro rata portion of the Aggregate Class F Percentage Interest of the Special Limited Partner's performance participation allocation.

Special Limited Partner Interest

So long as the Advisory Agreement has not been terminated, the Special Limited Partner will hold a special limited partnership interest in the Operating Partnership that entitles it to receive an allocation from the Operating Partnership equal to 12.5% of the Total Return, subject to a 5% Hurdle Amount and a loss carryforward, with a catch-up. Such allocation will be measured on a calendar year basis, made annually and accrued monthly.

This performance participation allocation is calculated on a class-specific basis as the lesser of (1) 12.5% of (a) the annual total return amount for such class of Fund Interests, less (b) any loss carryforward for such class of Fund Interests, and (2) the amount equal to (x) the annual total return amount for such class of Fund Interests, less (y) any loss carryforward for such class of Fund Interests, less (z) the amount needed to achieve an annual total return amount equal to 5% of the NAV per Fund Interest of such class at the beginning of such year (the "Hurdle Amount"). The foregoing calculations are calculated on a per Fund Interest basis and multiplied by the weighted average Fund Interests of the applicable class outstanding during the year. "Fund Interests" means our outstanding shares of common stock, along with the OP Units, which may be held directly or indirectly by the Advisor, the Sponsor and third parties. In no event will the performance participation allocation be less than zero. Accordingly, if the annual total return amount

exceeds the Hurdle Amount plus the amount of any loss carryforward for the applicable class of Fund Interests, then the Special Limited Partner will earn a performance participation allocation equal to 100% of such excess, but limited to 12.5% of the annual total return amount that is in excess of the loss carryforward. The results of these class-specific calculations of the performance participation allocation for each class of Fund Interests are aggregated and the resulting amount is the performance participation allocation to be distributed.

The "annual total return amount" referred to above is calculated on a class-specific basis and means all distributions paid or accrued per Fund Interest of the applicable class (excluding distributions related to the Aggregate Class F Percentage Interest) plus any change in NAV per Fund Interest of such class since the end of the prior calendar year, adjusted to exclude the negative impact on annual total return resulting from our payment or obligation to pay, or distribute, as applicable, the class-specific performance participation allocation. With respect to the first calculation of the performance participation allocation, the initial value of the Class F Fund Interests shall be $25.00 (irrespective of the price at which Class F shares are purchased in this offering). If the performance participation allocation is being calculated with respect to a year in which we complete a liquidity event (if any), for purposes of determining the annual total return amount, the change in NAV per Fund Interest will be deemed to equal the difference between the NAV per Fund Interest as of the end of the prior calendar year and the value per Fund Interest determined in connection with such liquidity event. The measurement of the change in NAV per Fund Interest for the purpose of calculating the annual total return amount is subject to adjustment by our board of directors to account for any dividend, split, recapitalization or any other similar change in the Operating Partnership's capital structure or any distributions that our board of directors deems to be a return of capital if such changes are not already reflected in the Operating Partnership's net assets.

The "loss carryforward" referred to above will track any negative annual total return amounts for the applicable class of Fund Interests from prior years and offset the positive annual total return amount for such class of Fund Interests for purposes of the calculation of the performance participation allocation. The performance participation allocation will be payable for each calendar year in which the Advisory Agreement is in effect, even if the Advisory Agreement is in effect for a partial year. The performance participation allocation will accrue monthly and will begin to be calculated and accrued from and after our determination of the initial NAV per share. In the event the Advisory Agreement is terminated or its term expires without renewal, the partial period performance participation allocation will be due and payable upon the termination date.

In such event, for purposes of determining the "annual total return amount," the change in NAV per Fund Interest will be determined based on a good faith estimate of what our NAV per Fund Interest would be as of that date (if the NAV had been calculated in accordance with our valuation policy); provided, that, if the Advisory Agreement is terminated with respect to a liquidity event, the performance participation allocation will be due and payable in connection with such liquidity event and the annual total return amount will be calculated as set forth above with respect to a year in which we complete a liquidity event. In addition, in the event the Operating Partnership commences a liquidation of its investments during any calendar year, the performance participation allocation will be calculated at the end of the liquidation period prior to the distribution of the liquidation proceeds to the holders of OP Units.

If the performance participation allocation is payable with respect to any partial month or partial calendar year, then the performance participation allocation will be calculated based on the annualized total return amount determined using the total return achieved for the period of such partial calendar year.

The performance participation allocation will be payable in cash or OP Units, at the election of the Special Limited Partner; provided that, the Special Limited Partner will not be permitted to elect Class F OP Units. In addition, the Special Limited Partner will elect to receive cash with respect to the Aggregate

Class F Percentage Interest to be paid to Class F OP Unit holders and stockholders. If the Special Limited Partner elects to receive any portion of such distributions in OP Units, the number of OP Units to be issued to the Special Limited Partner will be determined by dividing an amount equal to the value of the portion of the performance participation allocation for which the Special Limited Partner elects to receive OP Units by the NAV per OP Unit of the applicable class. The Special Limited Partner may request the Operating Partnership to redeem such OP Units from the Special Limited Partner at a later date. Any such redemption requests will be satisfied prior to redemption requests of limited partners and will not be subject to redemption limits, including any pro rata satisfaction limitations, or to any early redemption deduction. In the event the performance participation allocation is paid in cash to the Special Limited Partner as an allocation and distribution, such amount will not be deductible to the Operating Partnership although it will reduce the cash available for distribution to other OP Unit holders.

Class F Percentage Interest

If the performance participation allocation is earned for a particular year, the Special Limited Partner will direct that the Aggregate Class F Percentage Interest be distributed to the holders of Class F shares or OP Units. Each Class F OP Unit and Class F share will be entitled to a pro rata cash distribution of the Aggregate Class F Percentage Interest until such time as the Class F Interest is no longer outstanding. Upon redemption of Class F shares or OP Units, the Aggregate Class F Percentage Interest shall be reduced by the pro rata portion attributable to the redeemed Class F shares or OP Units, which will result in a corresponding increase to the performance participation allocation payable to the Special Limited Partner. The Aggregate Class F Percentage Interest will increase if additional Class F shares are issued in excess of any Class F shares or OP Units redeemed, which will result in a corresponding reduction to the portion performance participation allocation payable to the Special Limited Partner. However, the amount payable with respect to each outstanding Class F shares or OP Units, referred to herein as the Class F Percentage Interest, will not change.

Indemnification

FMREIT GP, as general partner, will not be liable to the Operating Partnership or limited partners for errors in judgment or other acts or omissions not amounting to willful misconduct or gross negligence since provision has been made in the partnership agreement for exculpation of the General Partner. Therefore, purchasers of interests in the Operating Partnership have a more limited right of action than they would have absent the limitation in the partnership agreement.

The OP Agreement will provide for the indemnification of FMREIT GP, as general partner, by the Operating Partnership for liabilities it incurs in dealings with third parties on behalf of the Operating Partnership. To the extent that the indemnification provisions purport to include indemnification of liabilities arising under the Securities Act, in the opinion of the SEC, such indemnification will be contrary to public policy and therefore unenforceable.

Distribution Reinvestment Plan

Holders of OP Units will have the opportunity to enroll as participants in the Operating Partnership's distribution reinvestment plan. As a participant, the distributions attributable to the class of OP Units owned by an OP Unit holder will be automatically reinvested in shares of common stock having the same class designation; provided that cash distributions attributable to Class F OP Units held by participants in the plan will be automatically reinvested in shares of Class C common stock. The per share price for shares issued pursuant to the Operating Partnership's distribution reinvestment plan will be equal to the transaction price in effect on the distribution date, which generally will be equal to the NAV per share of the applicable class. Shares of common stock issued pursuant to the distribution reinvestment plan will

be issued pursuant to an exemption from registration under the Securities Act and will be restricted securities. The General Partner may amend, suspend or terminate the distribution reinvestment plan for any reason upon 10 days' notice to the participants.

Redemption Rights

The holders of OP Units will generally have the right to cause the Operating Partnership to redeem all or a portion of their OP Units for, at the General Partner's sole discretion, shares of common stock, cash or a combination of both. If the General Partner elects to redeem OP Units for shares of its common stock, it will generally deliver one share of the corresponding class of shares of its common stock for each such OP Unit redeemed; provided that Class F OP Unit holders whose OP Units are to be redeemed for shares of common stock shall receive Class C shares. If the General Partner elects to redeem OP Units for cash, the cash delivered will equal the then-current NAV per unit of the applicable class of OP Units (subject to any redemption fees withheld), which will equal the then- current NAV per share of the corresponding class of shares. In connection with the exercise of these redemption rights, a limited partner must make certain representations, including that the delivery of shares of our common stock upon redemption would not result in such limited partner owning shares in excess of the ownership limits in our charter. If the General Partner determines to satisfy the redemption, in whole or in part, with shares of our common stock, the redeeming OP Unit holder will have the ability to rescind its redemption request with respect to the OP Units to be redeemed for shares of common stock.

Subject to the foregoing, holders of OP Units may exercise their redemption rights at any time (subject to a lock-up period for Class F and Class C OP Units); provided, however, that a holder of OP Units (other than the Special Limited Partner and the Advisor) may not deliver more than two redemption notices in a single calendar year and may not exercise a redemption right for less than 1,000 OP Units, unless such holder holds less than 1,000 OP Units, in which case, it must exercise its redemption right for all of its OP Units.

Transferability of OP Units

Without the consent of a majority in interest of the limited partners of the Operating Partnership, the General Partner may not voluntarily withdraw as the general partner of the Operating Partnership, engage in any merger, consolidation or other business combination or transfer its general partnership interest in the Operating Partnership (except to a wholly owned subsidiary, us or the owner of all of the ownership interests of the General Partner), unless, in the case of a merger or other business combination: (1) the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners of the Operating Partnership receiving or having the right to receive an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in such transaction to holders of common stock or (2) the successor entity contributes substantially all of its assets to the Operating Partnership in return for an interest in the Operating Partnership and agrees to assume all obligations of us and the General Partner, as applicable.

With certain exceptions, the limited partners may not transfer their interests in the Operating Partnership, in whole or in part, without our written consent, as sole member of the General Partner.

Issuance of Additional Partnership Interests

As sole member of the General Partner, we have the ability to cause the Operating Partnership to issue additional limited partnership interests (including OP Units), preferred partnership interests or convertible securities. We may issue more OP Units in the future.

The Operating Partnership allows us to be organized as an UPREIT. A sale of property directly to a REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of appreciated property who desires to defer taxable gain on the transfer of such property may, subject to meeting applicable tax requirements, transfer the property to the Operating Partnership in exchange for limited partnership interests (including OP Units) on a tax-free basis. Being able to offer a seller the opportunity to defer taxation of gain until the seller disposes of its interest in the Operating Partnership may give us a competitive advantage in acquiring desired properties relative to buyers who cannot offer this opportunity.

In addition, investing in the Operating Partnership, rather than in shares of our common stock, may be more attractive to certain institutional or other investors due to their business or tax structure.

Tax Matters

Pursuant to the OP Agreement, the General Partner will be the "partnership representative" of the Operating Partnership for purposes of Section 6223(a) of the Code and all similar state and non-U.S. statutes. As "partnership representative," the General Partner will be responsible for representing the Operating Partnership in all tax matters and has certain other rights and duties relating to tax matters. Accordingly, we, through the General Partner, will have the authority to handle tax audits and to make tax elections under the Code, in each case, on behalf of the Operating Partnership.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a summary of certain material U.S. federal income tax considerations associated with an investment in our common stock that may be relevant to you. The statements made in this section are based upon current provisions of the Code and Treasury Regulations promulgated thereunder, as currently applicable, currently published administrative positions of the IRS and judicial decisions, all of which are subject to change, either prospectively or retroactively. We cannot assure you that any changes will not modify the summary of certain material U.S. federal income tax considerations described herein. This summary does not address all possible tax considerations that may be material to an investor and does not constitute legal or tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to you, as a prospective stockholder, in light of your personal circumstances, nor does it deal with particular types of stockholders that are subject to special treatment under the U.S. federal income tax laws, such as:

- insurance companies;
- tax-exempt organizations (except to the limited extent discussed in "—Taxation of Holders of Our Common Stock—Taxation of Tax-Exempt Stockholders" below);
- financial institutions or broker dealers;
- non-U.S. individuals and foreign corporations (except to the limited extent discussed in "—Taxation of Holders of Our Common Stock—Taxation of Non-U.S. Stockholders" below);
- U.S. expatriates;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;
- regulated investment companies and REITs;
- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code; and
- persons holding our common stock through a partnership or similar pass-through entity.

This summary assumes that stockholders hold shares as capital assets for U.S. federal income tax purposes, which generally means property held for investment.

If a partnership, including any entity that is treated as a partnership for U.S. federal income tax purposes, holds our common stock, the U.S. federal income tax treatment of the partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership that will hold our common stock, you should consult your tax advisor regarding the U.S.

federal income tax consequences of acquiring, holding and disposing of our common stock by the partnership.

The statements in this section are based on the current U.S. federal income tax laws, are for general information purposes only and are not tax advice. We cannot assure you that new laws, interpretations of law, or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate.

WE URGE YOU TO CONSULT YOUR TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND SALE OF OUR COMMON STOCK AND OF OUR ELECTION TO BE TAXED AS A REIT, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of Our Company

REIT Qualification

We intend to elect to be taxed as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2023. We believe that, commencing with such taxable year, we will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Code, and we intend to continue to operate in such a manner so as to qualify and remain qualified as a REIT.

Qualification and taxation as a REIT depends on our ability to meet, on a continuing basis, through actual results of operations, distribution levels, diversity of share ownership and various qualification requirements imposed upon REITs by the Code. In addition, our ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which we invest, which we may not control. Our ability to qualify as a REIT also requires that we satisfy certain asset and income tests, some of which depend upon the fair market values of assets directly or indirectly owned by us or which serve as security for loans made by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy the requirements for qualification and taxation as a REIT.

If we qualify as a REIT, we will generally be entitled to a deduction for dividends that we pay and, therefore, will not be subject to U.S. federal corporate income tax on our net taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that results generally from investment in a corporation. Rather, income generated by a REIT is generally taxed only at the stockholder level, upon a distribution of dividends by the REIT.

Taxation of REITs in General

If we qualify as a REIT, we generally will not be subject to U.S. federal income tax on the taxable income that we distribute to our stockholders, provided such distribution qualifies for the deduction for dividends paid. The benefit of that tax treatment is that it avoids the "double taxation," or taxation at both the corporate and stockholder levels, that generally results from owning stock in a corporation. Any net operating losses, foreign tax credits and other tax attributes generally do not pass through to our

stockholders. Even if we qualify as a REIT, we will be subject to U.S. federal tax in the following circumstances:

- We will pay U.S. federal income tax on any taxable income, including undistributed net capital gain, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.

- We will pay income tax at the highest corporate rate on:

    - net income from the sale or other disposition of property acquired through foreclosure ("foreclosure property") that we hold primarily for sale to customers in the ordinary course of business, and

    - other non-qualifying income from foreclosure property.

- We will pay a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.

- If we fail to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below under "—Gross Income Tests," and nonetheless continue to qualify as a REIT because we meet other requirements, we will pay a 100% tax on:

    - the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, in either case, multiplied by

    - a fraction intended to reflect our profitability.

- If we fail to distribute during a calendar year at least the sum of (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for the year, and (iii) any undistributed taxable income required to be distributed from earlier periods, we will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed.

- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we made a timely designation of such gain to the stockholders), would receive a credit or refund for its proportionate share of the tax we paid and would increase the adjusted basis of its shares by the excess of the amount deemed distributed over the proportionate share of the tax paid.

- We may be subject to a 100% excise tax on transactions with any "taxable REIT subsidiary" ("TRS") that are not conducted on an arm's-length basis.

- In the event we fail to satisfy any of the asset tests, other than a de minimis failure of the 5% asset test, the 10% vote test or 10% value test, as described below under "—Asset Tests," as long as the failure was due to reasonable cause and not to willful neglect, we file a description of each asset that caused such failure with the IRS, and we dispose of the assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure, we will pay a tax equal to the greater of $50,000 or

the highest U.S. federal income tax rate then applicable to U.S. corporations on the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

- In the event we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, we will be required to pay a penalty of $50,000 for each such failure.

- If we acquire any asset from a C corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which we acquire a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax at the highest regular corporate rate applicable if we recognize gain on the sale or disposition of the asset during the 5-year period after we acquire the asset, provided that no election is made for the transaction to be taxable on a current basis. The amount of gain on which we would pay tax is the lesser of:

    - The amount of gain that we recognize at the time of the subsequent sale or disposition, and

    - The amount of gain that we would have recognized if we had sold the asset at the time we acquired it.

- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "— Recordkeeping Requirements."

- The earnings of our lower-tier entities that are C corporations, including any TRSs, will be subject to federal corporate income tax.

In addition, notwithstanding our qualification as a REIT, we may also have to pay certain state and local income taxes because not all states and localities treat REITs in the same manner that they are treated for U.S. federal income tax purposes. Moreover, as further described below, any TRS we form will be subject to federal, state and local corporate income tax on its taxable income.

Requirements for Qualification

A REIT is a corporation, trust, or association that meets each of the following requirements:

(1) It is managed by one or more trustees or directors.

(2) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.

(3) It would be taxable as a domestic corporation, but for the REIT provisions of the U.S. federal income tax laws.

(4) It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.

(5) At least 100 persons are beneficial owners of its shares or ownership certificates.

(6) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the Code defines to include certain entities, during the last half of any taxable year.

(7) It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.

(8) It meets certain other qualification tests, described below, regarding the nature of its income and assets and the amount of its distributions to stockholders.

(9) It uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the U.S. federal income tax laws.

Our shares are generally freely transferable, and we believe that the restrictions on ownership and transfers of our shares do not prevent us from satisfying condition (2) above. Conditions (5) and (6) above do not need to be satisfied for the first taxable year for which an election to become a REIT has been made. We believe that the shares sold in this offering will allow us to timely comply with condition (6) above. However, depending on the number of stockholders who subscribe for shares in this offering and the timing of subscriptions, we may need to conduct an additional offering of preferred shares to timely comply with condition (5) above. For purposes of determining share ownership under condition (6), an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit-sharing trust under the U.S. federal income tax laws, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of condition (6).

In addition, our charter contains restrictions regarding ownership and transfer of shares of our common stock that are intended to assist us in continuing to satisfy the share ownership requirements in conditions (5) and (6) above. See "Description of Capital Stock—Restriction on Ownership of Shares of Capital Stock." We are required to maintain records disclosing the actual ownership of common stock to monitor our compliance with the share ownership requirements. To do so, we are required to demand written statements each year from the record holders of certain minimum percentages of our shares in which such record holders must disclose the actual owners of the shares (i.e., the persons required to include distributions that we pay in their gross income). A list of those persons failing or refusing to comply with this demand will be maintained as part of our records. Stockholders who fail or refuse to comply with the demand must submit a statement with their tax returns disclosing the actual ownership of our shares and certain other information. The restrictions in our charter, however, may not ensure that we will, in all cases, be able to satisfy such share ownership requirements. If we fail to satisfy these share ownership requirements, we will not qualify as a REIT.

Effect of Subsidiary Entities

Qualified REIT Subsidiaries. A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. All assets, liabilities and items of income, deduction and credit of a "qualified REIT subsidiary" are treated as assets, liabilities and items of income, deduction and credit of the parent REIT. A "qualified REIT subsidiary" is a corporation, other than a TRS or REIT subsidiary, all of the stock of which is owned by the REIT directly and/or indirectly through other wholly-owned subsidiaries that are disregarded for tax purposes. Thus, in applying the requirements described herein, any "qualified REIT subsidiary" that we own will be ignored, and all assets, liabilities and items of income,

deduction and credit of such subsidiary will be treated as our assets, liabilities and items of income, deduction and credit.

Other Disregarded Entities and Partnerships. An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner, generally is not treated as an entity separate from its owner for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Our proportionate share for purposes of the 10% value test (see "—Asset Tests") is based on our proportionate interest in the equity interests and certain debt securities issued by the partnership. For all the other asset and income tests, our proportionate share is based on our proportionate interest in the capital of the partnership. Our proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which we acquire an equity interest, directly or indirectly, will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

Taxable REIT Subsidiaries. A REIT may own up to 100% of the shares of one or more TRSs so long as the value of the stock or securities of the TRSs do not exceed 20% of the total value of the REIT's assets. A TRS is a fully taxable corporation that may earn income, or engage in other activities, that would not comply with the requirements for qualification as a REIT if earned or undertaken directly by the parent REIT. Other than some activities relating to lodging and health care facilities, a TRS generally may engage in any business, including the provision of customary or non-customary services to customers of its parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the securities will automatically be treated as a TRS. We will not be treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by a TRS to us will be an asset in our hands, and we will treat the distributions paid to us from such TRS, if any, as income to the extent of the TRS's current and accumulated earnings and payments, or, if in excess thereof, to the extent such amounts exceed our basis in the shares of the TRS. This treatment may affect our compliance with the gross income and asset tests. Because we will not include the assets and income of TRSs in determining our compliance with the REIT requirements, we may use such entities to indirectly undertake activities that the REIT rules might otherwise preclude us from doing directly or through pass-through subsidiaries.

A TRS pays income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT, or the REIT's customers, that are not conducted on an arm's-length basis.

Rent that we receive from a TRS with respect to real property (other than health care or lodging facilities) generally will qualify as "rents from real property" for purposes of the gross income requirements applicable to REITs as described below so long as (i) at least 90% of the leased space in the property is leased to persons other than TRSs and related-party customers and (ii) the amount paid by the TRS to rent space at the property is substantially comparable to rents paid by other customers of the property for comparable space, as described in further detail below under "—Gross Income Tests—Rents from Real Property." If we lease space to a TRS in the future, we will seek to comply with these requirements.

Gross Income Tests

In order to qualify as a REIT, we must satisfy two gross income tests annually. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by mortgages on real property, or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of real estate assets;
- income and gain derived from foreclosure property; and
- income derived from the temporary investment in stock and debt instruments purchased with the proceeds from the issuance of our stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one-year period beginning on the date on which we received such new capital.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of shares or securities, or any combination of these. Any gross income from the sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both gross income tests but is subject to a special tax at a rate of 100%. In addition, income and gain from certain "hedging transactions" that we enter into to hedge indebtedness incurred, or to be incurred, to acquire or carry real estate assets, and that are clearly and timely identified as such, will be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests. In addition, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. See "—Foreign Currency Gain." The following paragraphs discuss the specific application of the gross income tests to us.

Rents from Real Property. Rent that we receive from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

- First, the rent must not be based, in whole or in part, on the income or profits of any person, but may be based on a fixed percentage or percentages of receipts or sales.
- Second, neither we nor a direct or indirect owner of 10% or more of our stock may own, actually or constructively, 10% or more of a customer from whom we receive rent, other than a TRS.
- Third, if the rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as rents from real property. However, if the 15% threshold is exceeded, the portion of the rent that is attributable to personal property will not qualify as rents from real property.

- Fourth, we generally must not operate or manage our real property or furnish or render services to our customers, other than certain customary services provided to tenants through an "independent contractor" who is adequately compensated and from whom we do not derive revenue. However, we need not provide services through an "independent contractor," but instead may provide services directly to our customers, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the customers' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the customers of a property, other than through an independent contractor, subject to certain rules discussed below.

In order for the rent paid under our leases to constitute qualifying "rents from real property," the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. The determination of whether our leases are true leases depends on an analysis of all the surrounding facts and circumstances. We intend to enter into leases that will be treated as true leases. If our leases are characterized as service contracts or partnership agreements, rather than as true leases, part or all of the payments that our Operating Partnership and its subsidiaries receive from our leases may not be considered rent or may not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, we might not be able to satisfy either the 75% or 95% gross income test and, as a result, would lose REIT status unless we qualify for relief, as described below under "—Failure to Satisfy Gross Income Tests."

As described above, in order for the rent that we receive to constitute "rents from real property," several other requirements must be satisfied. First, rent must not be based in whole or in part on the income or profits of any person. Percentage rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages:

- are fixed at the time the leases are entered into;

- are not renegotiated during the term of the leases in a manner that has the effect of basing rent on income or profits; and

- conform with normal business practice.

More generally, rent will not qualify as "rents from real property" if, considering the leases and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the rent on income or profits.

In addition, in order for rents that we receive to be qualifying income for purposes of the REIT gross income tests, we must not own, actually or constructively, 10% or more of the shares or the assets or net profits of any lessee (a "related party tenant"), other than a TRS. The constructive ownership rules generally provide that, if 10% or more in value of our stock is owned, directly or indirectly, by or for any person, we are considered as owning the shares owned, directly or indirectly, by or for such person. We anticipate that all of our properties will be leased to third parties which do not constitute related party customers. In addition, our charter prohibits transfers of our stock that would cause us to own, actually or constructively, 10% or more of the ownership interests in any non-TRS lessee. Accordingly, we generally do not expect to own, actually or constructively, 10% or more of any lessee. However, because the constructive ownership rules are broad and it is not possible to continually monitor all direct and indirect transfers of our stock, no absolute assurance can be given that such transfers or other events of which we have no knowledge will not cause us to constructively own 10% or more of a lessee in a particular case.

As described above, we may own up to 100% of the shares of one or more TRSs. Under an exception to the related-party tenant rule described in the preceding paragraph, rent that we receive from a TRS will qualify as "rents from real property" as long as (i) at least 90% of the leased space in the property is leased to persons other than TRSs and related-party tenants, and (ii) the amount paid by the TRS to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The "substantially comparable" requirement must be satisfied when the lease is entered into, when it is extended, and when the lease is modified, if the modification increases the rent paid by the TRS. If the requirement that at least 90% of the leased space in the related property is rented to unrelated tenants is met when a lease is entered into, extended, or modified, such requirement will continue to be met as long as there is no increase in the space leased to any TRS or related party tenant. Any increased rent attributable to a modification of a lease with a TRS in which we own, directly or indirectly, more than 50% of the voting power or value of the stock (a "controlled TRS") will not be treated as "rents from real property." If in the future we receive rent from a TRS, we will seek to comply with this or other exceptions that permit certain rents from a TRS to be treated as qualifying rents for purposes of the REIT income tests.

The rent attributable to the personal property leased in connection with the lease of a property also must not be greater than 15% of the total rent received under the lease. The rent attributable to the personal property contained in a property is the amount that bears the same ratio to total rent for the taxable year as the average of the fair market values of the personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property contained in the property at the beginning and at the end of such taxable year, or the "personal property ratio." With respect to each of our leases, we believe either that the personal property ratio will be less than 15%, or that any rent attributable to excess personal property will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus potentially lose REIT status.

We cannot furnish or render noncustomary services to the customers of our properties, or manage or operate our properties, other than through a TRS or an independent contractor who is adequately compensated and from whom we do not derive or receive any income. However, we need not provide services through an "independent contractor," but instead may provide services directly to our customers, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the customers' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the customers of a property, other than through an independent contractor or TRS, as long as our income from the services (valued at not less than 150% of our direct cost for performing such services) does not exceed 1.0% of our income from the related property. We may own up to 100% of the shares of one or more TRSs, which may provide noncustomary services to our customers without tainting our rents from the related properties. We do not intend to perform any services other than customary ones for our lessees, unless such services are provided through independent contractors or TRSs.

If a portion of the rent that we receive from a property does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent that is attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if such rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our gross income during the year, we would lose our REIT qualification. If, however, the rent from a particular property does not qualify as "rents from real property" because either (i) the rent is considered based on the income or profits of the related lessee, (ii) the lessee either is a related party customer or fails to qualify for the exceptions to the related party customer rule for qualifying TRSs or (iii) we furnish noncustomary services to the customers of the property, or manage or operate the property, other than

through a qualifying independent contractor or a TRS, none of the rent from such leases would qualify as "rents from real property." In that case, we might lose our REIT qualification because we would be unable to satisfy either the 75% or 95% gross income test.

Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes the following:

- an amount that is based on a fixed percentage or percentages of receipts or sales; and
- an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

We expect that any investments we may make in mortgage loans will generally be treated as being secured by mortgages on real property or interests in real property such that the gross interest income generated thereon qualifies for the 75% income test. However, for purposes of the income tests, if the outstanding principal balance of a mortgage loan exceeds the fair market value of the real property securing the loan, a portion of such gross interest income will not qualify under the 75% income test.

Dividends. Our share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which we own an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Our share of any dividends received from any other REIT in which we own an equity interest, if any, will be qualifying income for purposes of both gross income tests. Gain on the sale of equity interests in any REIT will qualify for purposes of both gross income tests.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Gain from the sale of foreclosure property is not subject to the 100% tax on prohibited transactions, as described below.

Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent, on a lease of such property or on indebtedness that such property secured;
- for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or subsequently if an extension is granted by the Secretary of the Treasury. However, this grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or

- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT does not derive or receive any income.

Hedging Transactions. From time to time, we or our Operating Partnership may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase such items, and futures and forward contracts. Income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests provided we satisfy the identification requirements discussed below. A "hedging transaction" means (i) any transaction entered into in the normal course of our or our Operating Partnership's trade or business primarily to manage the risk of interest rate changes, price changes, or currency fluctuations with respect to borrowings made, or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, and (ii) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain). We are required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and to satisfy other identification requirements. We may conduct some or all of our hedging activities (including hedging activities relating to currency risk) through a TRS or other corporate entity, the income from which may be subject to U.S. federal income tax, rather than by participating in the arrangements directly or through pass-through subsidiaries. No assurance can be given, however, that our hedging activities will not give rise to income that does not qualify for purposes of either or both of the REIT income tests, or that our hedging activities will not adversely affect our ability to satisfy the REIT qualification requirements.

Foreign Currency Gain. Certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75% and 95% gross income tests. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or an interest in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test, and foreign currency gain attributable to the acquisition or

ownership of (or becoming or being the obligor under) obligations. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to certain foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as nonqualifying income for purposes of both the 75% and 95% gross income tests.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for any taxable year, we may nevertheless maintain our qualification as a REIT for that year if we are eligible for certain relief provisions. Those relief provisions are available if:

- our failure to meet those tests is due to reasonable cause and not willful neglect; and
- following such failure for any taxable year, we file a schedule of the sources of our income in accordance with the requirements of certain Treasury regulations.

We cannot predict, however, whether in all circumstances we would qualify for the relief provisions. In addition, as discussed above in "—Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, multiplied by a fraction intended to reflect our profitability.

Asset Tests

To qualify as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year. First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables and, in certain circumstances, foreign currencies;
- U.S. government securities;
- interests in real property, including leaseholds, and options to acquire real property and leaseholds;
- interests in mortgage loans secured by real property;
- stock in other REITs; and
- investments in stock or debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings, or through public offerings of debt that have at least a five-year term.

Second, of our investments that do not qualify for purposes of the 75% asset test described above, the value of our interest in any one issuer's securities may not exceed 5% of the value of our total assets. This requirement is referred to as the "5% asset test".

Third, of our investments that do not qualify for purposes of the 75% asset class, we may not own more than 10% of the voting power of any one issuer's outstanding securities, or 10% of the value of any one issuer's outstanding securities. These requirements are known as the "10% vote test" and "the 10% value test", respectively.

Fourth, no more than 20% of the value of our total assets may consist of the securities of issued by one or more of our TRSs.

Fifth, no more than 25% of the value of our total assets may consist of the securities of TRSs and other assets that are not qualifying assets for purposes of the 75% asset test. This requirement is referred to as the "25% securities test".

For purposes of the 5% asset test, the 10% vote test and the 10% value test, the term "securities" does not include shares in another REIT, equity or debt securities of a qualified REIT subsidiary or TRS, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term "securities" does not include:

- "straight debt" securities, which are defined as a written unconditional promise to pay on demand, or on a specified date, a sum certain in money if (i) the debt is not convertible, directly or indirectly, into equity, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) hold non-"straight debt" securities that have an aggregate value of more than 1.0% of the issuer's outstanding securities. However, "straight debt" securities may include debt subject to the following contingencies:

    - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% per annum, or 5% of the annual yield, or (ii) the aggregate issue price and the aggregate face amount of the issuer's debt obligations held by us does not exceed $1 million, and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

    - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice.

- any loan to an individual or an estate;

- any "section 467 rental agreement," other than an agreement with a related party customer;

- any obligation to pay "rents from real property";

- certain securities issued by governmental entities;

- any security issued by a REIT;

- any debt instrument issued by an entity that is treated as a partnership for U.S. federal income tax purposes in which we are a partner, to the extent of our proportionate interest in the equity and debt securities of the partnership; and

- any debt instrument issued by an entity that is treated as a partnership for U.S. federal income tax purposes and which not described in the preceding bullet points, if at least 75% of the

partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "—Gross Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

We may enter into sale and repurchase agreements, pursuant to which we would nominally sell certain of our loan assets to a counterparty, and simultaneously enter into an agreement to repurchase the same assets. We believe that we would be treated for U.S. federal income tax purposes as the owner of the loan assets that are the subject of any such agreement notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the loan assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

We may make or invest in mezzanine loans. Certain of our mezzanine loans may qualify for the safe harbor contained in IRS Revenue Procedure 2003-65, pursuant to which certain loans secured by a first priority security interest in ownership interests in a partnership or limited liability company, rather than in a direct mortgage on real property, will be treated as qualifying assets for purposes of the 75% real estate asset test and the 10% vote or value test, and interest derived therefrom will be treated as qualified mortgage interest for purposes of the 75% gross income test, as described above. We may make or invest in some mezzanine loans that do not qualify for that safe harbor, and that do not qualify as "straight debt" securities or for one of the other exclusions from the definition of "securities" for purposes of the 10% value test. We intend to make such investments in such a manner as not to fail the asset and income tests described above, although no assurance can be given that the IRS will not challenge our treatment of such loans.

We expect that any investments we may make in mortgage loans will generally be treated as qualifying real estate assets. However, for purposes of the asset tests, if the outstanding principal balance of a mortgage loan exceeds the fair market value of the real property securing the loan, a portion of such loan likely will not be a qualifying real estate asset. Under current law, it is not entirely clear how to determine what portion of such a loan will be treated as a real estate asset. The IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a real estate asset for purposes of the 75% asset test if the REIT treats the loan as being a qualifying real estate asset in an amount equal to the lesser of (1) the fair market value of the real property securing the loan on the date the REIT acquires the loan or (2) the fair market value of the loan.

No independent appraisals will be obtained to support our conclusions as to the value of our total assets or the value of any particular security or securities. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. Accordingly, there can be no assurance that the IRS will not contend that our interests in our subsidiaries or in the securities of other issuers will not cause a violation of the REIT asset tests.

We will monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. However, there is no assurance that we will not inadvertently fail to comply with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT qualification if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and

- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

In the event that we violate the 5% asset test, the 10% vote test or the 10% value test described above, we will not lose our REIT qualification if (i) the failure is *de minimis* (up to the lesser of 1.0% of our assets or $10 million) and (ii) we dispose of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure. In the event of a failure of any of the asset tests (other than *de minimis* failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT qualification if we (i) dispose of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify the failure, (ii) file a description of each asset causing the failure with the IRS, and (iii) pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income from the assets causing the failure during the period in which we failed to satisfy the asset tests. However, there is no assurance that the IRS would not challenge our ability to satisfy these relief provisions.

Distribution Requirements

Each taxable year, in order to qualify as a REIT, we must make distributions, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount at least equal to:

- the sum of
    - 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain or loss, and
    - 90% of our after-tax net income, if any, from foreclosure property, minus
- the excess of the sum of certain items of non-cash income over 5% of our "REIT taxable income."

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (i) we declare the distribution before we timely file our U.S. federal income tax return for the year and pay the distribution on or before the first regular distribution payment date after such declaration, or (ii) we declare the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and we actually pay the distribution before the end of January of the following year. The distributions under clause (i) are taxable to the stockholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted as satisfying the annual distribution requirements, the distributions must not be "preferential dividends." A dividend is generally not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in the REIT's organizational documents.

There is no de minimis exception with respect to preferential dividends. To avoid paying preferential dividends, we must treat every stockholder of the class of shares with respect to which we make a distribution the same as every other stockholder of that class, and we must not treat any class of shares other than according to its dividend rights as a class. Under certain technical rules governing deficiency dividends, we could lose our ability to cure an under-distribution in a year with a subsequent year deficiency dividend if we pay preferential dividends. Accordingly, we intend to pay dividends pro rata within each class, and to abide by the rights and preferences of each class of our shares. If the IRS were to take the position that we inadvertently paid a preferential dividend, including as a result of the manner in which certain fees are borne by our classes of stock, we may be deemed either to (a) have distributed less than 100% of our REIT taxable income and be subject to tax on the undistributed portion, or (b) have distributed less than 90% of our REIT taxable income and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. We can provide no assurance that we will not be treated as inadvertently paying preferential dividends.

We will pay U.S. federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain income for such year, and
- any undistributed taxable income from prior periods,

in such case we would then incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements, and, in general, to avoid corporate income tax as well as the 4% nondeductible excise tax.

It is possible that we may not have sufficient cash to meet the distribution requirements discussed above. This could result because of competing demands for funds, or because of timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in determining our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, we may need to borrow funds, raise funds through the issuance of additional shares of common stock or, if possible, pay taxable dividends in the form of our common stock or in debt securities.

In computing our REIT taxable income, we will use the accrual method of accounting. We are required to file an annual U.S. federal income tax return, which, like other corporate returns, is subject to examination by the IRS. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the IRS will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for

example, with respect to the allocation of the purchase price of real properties between depreciable or amortizable assets and non-depreciable or non-amortizable assets such as land, and the current deductibility of fees paid to the Advisor or its affiliates. Were the IRS to successfully challenge our characterization of a transaction or determination of our REIT taxable income, we could be found to have failed to satisfy a requirement for qualification as a REIT.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for distributions paid for the earlier year. Although we may be able to avoid entity-level income tax on amounts distributed as deficiency dividends, we will be required to pay interest to the IRS based upon the amount of any deduction that we take for deficiency dividends.

Prohibited Transactions

A REIT will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business, which is known as a "prohibited transaction." We believe that none of our assets will be held primarily for sale to customers and that any sale of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor, which prevents a sale of property which is a real estate asset by a REIT from being treated as a prohibited transaction, applies if all of the following requirements are met:

- the REIT has held the property for not less than two years;
- the aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;
- either (i) during the year in question, the REIT did not make more than seven sales of property, other than of foreclosure property, or sales to which Section 1033 of the Code applies, (ii) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year, or (iii) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 20% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year; provided that the average annual sales during the three year period that includes the year of the sale does not exceed 10%;
- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and
- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income.

We will attempt to comply with the terms of the safe-harbor provisions in the U.S. federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provisions or that we will be able to avoid owning property that may be characterized as property held "primarily for sale to customers in the ordinary

course of a trade or business." The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates.

Sale-Leaseback Transactions

Some of our investments may be in the form of sale-leaseback transactions. We normally intend to treat these transactions as true leases for U.S. federal income tax purposes. However, depending on the terms of any specific transaction, the IRS might take the position that the transaction is not a true lease but is more properly treated in some other manner. If such recharacterization were successful, we would not be entitled to claim the depreciation deductions available to an owner of the property. In addition, the recharacterization of one or more of these transactions might cause us to fail to satisfy the asset tests or the income tests as described above, based upon the asset we would be treated as holding or the income we would be treated as having earned, and such failure could result in our failing to qualify as a REIT. Alternatively, the amount or timing of income inclusion or the loss of depreciation deductions resulting from the recharacterization might cause us to fail to meet the distribution requirement described above for one or more taxable years, absent the availability of the deficiency dividend procedure, or might result in a larger portion of our distributions being treated as ordinary income to our stockholders.

Recordkeeping Requirements

We must maintain certain records in order to qualify as a REIT. In addition, to avoid a monetary penalty, we must request, on an annual basis, information from our stockholders designed to disclose the actual ownership of our outstanding stock. We intend to comply with these requirements.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if our failure is due to reasonable cause and not willful neglect, and we pay a penalty of $50,000 for each such failure. In addition, there are relief provisions for failures of the gross income tests and asset tests, as described in "—Gross Income Tests" and "—Asset Tests."

If we fail to qualify as a REIT in any taxable year and no relief provision applies, we would be subject to U.S. federal income tax and any applicable alternative minimum tax on our taxable income at regular corporate rates. In calculating our taxable income in a year in which we fail to qualify as a REIT, we would not be able to deduct amounts paid out to stockholders. In such a case, we would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of our current and accumulated earnings and profits, distributions to stockholders generally would be taxable as dividend income which is "qualified dividend income" and which is taxed at favorable capital gain rates. Additionally, subject to certain limitations of the U.S. federal income tax laws, corporate stockholders may be eligible for the dividends received deduction. Unless we qualified for relief under specific statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. We cannot predict whether, in all circumstances, we would qualify for such statutory relief.

Tax Aspects of Our Investments in Our Operating Partnership

The following discussion summarizes certain U.S. federal income tax considerations applicable to our direct or indirect investments in our Operating Partnership. The discussion does not cover state or local tax laws, or any U.S. federal tax laws other than income tax laws.

Classification as a Partnership

We will include in our income our distributive share of the Operating Partnership's income and will deduct our distributive share of the Operating Partnership's losses provided that the Operating Partnership is classified for U.S. federal income tax purposes as a partnership rather than as a corporation or an association taxable as a corporation. An unincorporated entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury Regulations relating to entity classification, or the "check-the-box regulations"; and

- is not a "publicly-traded partnership."

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity is treated as having only one owner or member) for U.S. federal income tax purposes. Our Operating Partnership intends to be classified as a partnership for U.S. federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly-traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly-traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year in which it was classified as a publicly-traded partnership, 90% or more of the partnership's gross income consists of certain specified types of passive income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends. This exception is referred to as the "90% passive income exception". We and the Operating Partnership believe that the Operating Partnership should not be classified as a publicly traded partnership because (x) OP Units are not traded on an established securities market and (y) OP Units should not be considered readily tradable on a secondary market or the substantial equivalent thereof. However, there is a risk that redemption rights associated with certain OP Units could cause the interests in the Operating Partnership to be viewed as readily tradable on a secondary market or the substantial equivalent thereof. Although Treasury Regulations ("PTP Regulations") provide certain safe harbors from treatment as a publicly-traded partnership, there can be no assurance that the Operating Partnership will satisfy any of such safe harbors. In order to minimize the risk that OP Units are treated as readily tradable on a secondary market or the substantial equivalent thereof, we placed certain restrictions on the transfer and/or repurchase of OP Units. Even if the Operating Partnership were considered a publicly traded partnership under the PTP Regulations, the Operating Partnership should not be treated as a corporation for U.S. federal income tax purposes as long as 90% or more of its gross income consists of "qualifying income" under section 7704(d) of the Code, which includes, in general, interest, dividends, real property rents (as defined by section 856 of the Code) and gain from the sale or disposition of real property.

We have not requested, and do not intend to request, a ruling from the IRS that our Operating Partnership will be classified as a partnership for U.S. federal income tax purposes. If for any reason our Operating Partnership were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, we likely would not be able to qualify as a REIT unless we qualified for certain relief provisions. See "—Gross Income Tests" and "—Asset Tests." In addition, any change in the Operating Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "—Distribution Requirements." Further, items of income and deduction of the Operating Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, the Operating Partnership would be required to

pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing the Operating Partnership's taxable income.

Income Taxation of the Operating Partnership and its Partners

Partners, Not the Operating Partnership, Subject to Tax

A partnership is not a taxable entity for U.S. federal income tax purposes. Rather, we are required to take into account our allocable share of the Operating Partnership's income, gains, losses, deductions and credits for any taxable year of the Operating Partnership ending within or with our taxable year, without regard to whether we have received or will receive any distribution from the Operating Partnership.

Operating Partnership Allocations

Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The Operating Partnership's allocations of taxable income, gain and loss are intended to comply with the requirements of the U.S. federal income tax laws governing partnership allocations.

Tax Allocations with Respect to the Operating Partnership's Properties

Income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. When cash is contributed to a partnership in exchange for a partnership interest, such as our contribution of cash to our operating partnership for operating units, similar rules apply to ensure that the existing partners in the partnership are charged with, or benefit from, respectively, the unrealized gain or unrealized loss associated with the partnership's existing properties at the time of the cash contribution. In the case of a contribution of property, the amount of the unrealized gain or unrealized loss ("built-in gain" or "built-in loss") is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax difference"). In the case of a contribution of cash, a book-tax difference may be created because the fair market value of the properties of the partnership on the date of the cash contribution may be higher or lower than the partnership's adjusted tax basis in those properties. Any property purchased for cash initially will have an adjusted tax basis equal to its fair market value, resulting in no book-tax difference.

Pursuant to section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to section 704(c) of the Code, and several reasonable allocation methods are described therein.

Under the Operating Partnership Agreement, subject to exceptions applicable to the special limited partnership interests, depreciation or amortization deductions of the Operating Partnership generally will be allocated among the partners in accordance with their respective interests in the Operating Partnership, except to the extent that the Operating Partnership is required under section 704(c) to use a different method for allocating depreciation deductions attributable to its properties. In addition, gain or loss on the sale of a property that has been contributed to the Operating Partnership will be specially allocated to the contributing partner to the extent of any built-in gain or loss with respect to the property for U.S. federal income tax purposes. It is possible that we may (i) be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at the time of contribution and (ii) be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining the portion of our distributions that are taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest

The adjusted tax basis of our partnership interest in the Operating Partnership generally will be equal to (i) the amount of cash and the basis of any other property contributed to the Operating Partnership by us, (ii) increased by (a) our allocable share of the Operating Partnership's income and (b) our allocable share of indebtedness of the Operating Partnership, and (iii) reduced, but not below zero, by (x) our allocable share of the Operating Partnership's loss and (y) the amount of cash and basis of any property distributed to us, including constructive cash distributions resulting from a reduction in our share of indebtedness of the Operating Partnership. If the allocation of our distributive share of the Operating Partnership's loss would reduce the adjusted tax basis of our partnership interest in the Operating Partnership below zero, the recognition of the loss will be deferred until such time as the recognition of the loss would not reduce our adjusted tax basis below zero. If a distribution from the Operating Partnership or a reduction in our share of the Operating Partnership's liabilities would reduce our adjusted tax basis below zero, that distribution, including a constructive distribution, will constitute taxable income to us. The gain realized by us upon the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in the Operating Partnership has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

Sale of the Operating Partnership's Property

Generally, any gain realized by the Operating Partnership on the sale of property held by the Operating Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Under Section 704(c) of the Code, any gain or loss recognized by the Operating Partnership on the disposition of contributed properties will be allocated first to the partners of the Operating Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution as reduced for any decrease in the "book-tax difference." See "—Tax Allocations With Respect to the Operating Partnership's Properties." Any remaining gain or loss recognized by the Operating Partnership on the disposition of the contributed properties, and any gain or loss recognized by the

Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Operating Partnership.

Taxation of Taxable U.S. Stockholders

As used herein, the term "U.S. stockholder" means a holder of our common stock that for U.S. federal income tax purposes is:

- a citizen or resident of the U.S.;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common stock, you should consult your tax advisor regarding the consequences of the ownership and disposition of our common stock by the partnership.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to, and gains realized by, taxable U.S. stockholders with respect to our common stock generally will be taxed as described below. However, participants in our distribution reinvestment plan and share redemption program may be taxed in a different manner. For a summary of the U.S. federal income tax treatment of distributions reinvested in additional shares of common stock pursuant to our distribution reinvestment plan, see "Description of Capital Stock—Distribution Reinvestment Plan."

Distributions on Our Common Stock

As long as we qualify as a REIT, a taxable U.S. stockholder must generally take into account, as ordinary income, distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain.

A U.S. stockholder will not qualify for the dividends received deduction which is generally available to stockholders that are corporations. In addition, dividends paid to a U.S. stockholder generally will not qualify for the reduced tax rate for "qualified dividend income." The maximum tax rate for qualified dividend income received by U.S. stockholders taxed at individual rates is currently 20% plus a 3.8% "Medicare tax" surcharge. The maximum tax rate on qualified dividend income is lower than the maximum marginal tax rate on ordinary income for stockholders taxed at individual rates, which is currently 37% plus a 3.8% "Medicare tax" surcharge, provided however, that all such distributions (other than distributions designated as capital gain distributions and distributions traceable to distributions from a taxable REIT subsidiary), which are received by a pass-through entity or an individual, are eligible for a 20% deduction from gross income under tax laws until 2025. Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to U.S. stockholders that are taxed at individual rates. Because we are not generally subject to U.S. federal income tax on the portion of our REIT

taxable income distributed to our stockholders (see "Taxation of Our Company" above), our dividends generally will not be eligible for the reduced rate on qualified dividend income. As a result, our ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income. However, the reduced tax rate for qualified dividend income will apply to our ordinary REIT dividends (i) that are attributable to dividends received by us from non-REIT corporations, such as TRSs, and (ii) to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income).

A U.S. stockholder generally will take into account as long-term capital gain any distributions that we designate as capital gain dividends without regard to the period for which the U.S. stockholder has held our common stock. See "—Capital Gains and Losses." A corporate U.S. stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, to the extent that we designate such amount in a timely notice to such stockholder, a U.S. stockholder would be taxed on its proportionate share of our undistributed long-term capital gain. The U.S. stockholder would also receive a credit for its proportionate share of the tax we paid. The U.S. stockholder would increase the basis in its stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A U.S. stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted tax basis of the U.S. stockholder's common stock. Instead, the distribution will reduce the adjusted tax basis of such stock. A U.S. stockholder will be required to treat a distribution that exceeds both our current and accumulated earnings and profits, and the U.S. stockholder's adjusted tax basis in his or her stock, as long-term capital gain, or short-term capital gain if the shares of stock have been held for one year or less, provided that the shares of stock are a capital asset in the hands of the U.S. stockholder. In addition, if we declare a distribution in October, November, or December of any year that is payable to a stockholder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the stockholder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us, up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, stockholders may be required to treat as taxable some distributions that would otherwise result in a tax-free return of capital.

U.S. stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of our common stock will not be treated as passive activity income and, therefore, U.S. stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the U.S. stockholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of our common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify U.S. stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

Dispositions of Common Stock

A U.S. stockholder who is not a dealer in securities must generally treat any gain or loss realized upon a taxable disposition of our common stock as long-term capital gain or loss if the U.S. stockholder has held our common stock for more than one year, and otherwise as short-term capital gain or loss. In general, a U.S. stockholder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition, and the U.S. stockholder's adjusted tax basis. A stockholder's adjusted tax basis generally will equal the U.S. stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. stockholder (discussed above) less tax deemed paid on such gains, and reduced by any distributions that are treated as returns of capital. However, a U.S. stockholder must treat any loss upon a sale or exchange of common stock held by such stockholder for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us that such U.S. stockholder treats as long-term capital gain. All or a portion of any loss that a U.S. stockholder realizes upon a taxable disposition of shares of our common stock may be disallowed if the U.S. stockholder purchases other shares of our common stock within 30 days before or after the disposition.

If an investor recognizes a loss upon a subsequent disposition of our stock or other securities in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These regulations, though directed towards "tax shelters," are broadly written and apply to transactions that would not typically be considered tax shelters. The Code imposes significant penalties for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our stock or securities, or transactions that we might undertake directly or indirectly. Moreover, we and other participants in the transactions in which we are involved (including their advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Redemptions

A redemption of our common stock, including pursuant to our share redemption program, will be treated under Section 302 of the Code as a distribution that is taxable as dividend income (to the extent of our current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as sale of our common stock (in which case the redemption will be treated in the same manner as a sale described above in "—Dispositions of Common Stock"). The redemption will satisfy such tests if it (i) is "substantially disproportionate" with respect to the holder's interest in our stock, (ii) results in a "complete termination" of the holder's interest in all our classes of stock, or (iii) is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Code described above will be satisfied with respect to any particular holder of our common stock depends upon the facts and circumstances at the time that the determination must be made, prospective investors are advised to consult their tax advisors to determine such tax treatment. See "Description of Capital Stock—Share Redemption Program" for a description of our share redemption program.

If a redemption of our common stock does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution, as described above under "—Distributions on Our Common Stock." Stockholders should consult with their tax advisors regarding the taxation of any particular redemption of our shares.

Conversions

Our charter provides for the conversion of certain classes of shares of our common stock into other classes of shares of our common stock upon the occurrence of certain triggering events. If such a conversion occurs, it will not be a taxable event to the converting stockholder or to us. The tax attributes of the class of shares received upon any such conversion will have the same tax attributes, including the tax basis and the holding period, as the class of shares that was converted.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year in order for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The maximum tax rate on long-term capital gain applicable to U.S. stockholders taxed at individual rates is 20% (21% in the case of U.S. stockholders that are corporations). The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," or depreciable real property, is 25%, which applies to the lesser of the total amount of the gain or the accumulated depreciation on the Section 1250 property.

With respect to distributions that we designate as capital gain dividends, and any retained capital gain that we are deemed to distribute, we generally will designate whether such a distribution is taxable to U.S. stockholders who are taxed at individual rates, at the 20% rate or the 25% rate. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Medicare Tax

Certain U.S. stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on dividends, interest and certain other investment income, including capital gains from the sale or other disposition of our common stock.

Taxation of Tax-Exempt U.S. Stockholders

Tax-exempt entities, including qualified employee pension and profit-sharing trusts, and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). Although many investments in real estate generate UBTI, the IRS has ruled that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that we distribute to tax-exempt stockholders generally should not constitute UBTI.

However, if a tax-exempt stockholder were to finance (or be deemed to finance) its acquisition of common stock with debt, a portion of the income that it receives from us would constitute UBTI pursuant to the "debt-financed property" rules. Moreover, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the U.S. federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from us as UBTI. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of

our capital stock must treat a percentage of the distributions that it receives from us as UBTI. Such percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the distributions. That rule potentially applies to a pension trust holding more than 10% of our capital stock, but only if:

- the percentage of our distributions that the tax-exempt trust must treat as UBTI is at least 5%;
- we qualify as a REIT only by reason of the modification of the rule requiring that no more than 50% of our capital stock be owned by five or fewer individuals, which allows the beneficiaries of the pension trust to be treated as holding our capital stock in proportion to their actuarial interests in the pension trust rather than treating the pension trust as a single individual; and
- either:
    - one pension trust owns more than 25% of the value of our capital stock; or
    - a group of pension trusts individually holding more than 10% of the value of our capital stock collectively owns more than 50% of the value of our capital stock.

Taxation of Non-U.S. Stockholders

The term "non-U.S. stockholder" means a holder of our common stock that is not a U.S. stockholder, a partnership (or entity treated as a partnership for U.S. federal income tax purposes) or a tax-exempt stockholder. The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign stockholders are complex. This section is only a summary of such rules. We urge non-U.S. stockholders to consult their tax advisors to determine the impact of federal, state, local and foreign income and other tax laws on the purchase, ownership and sale of our common stock, including any reporting requirements.

Distributions

A non-U.S. stockholder that receives a distribution that is not attributable to gain from our sale or exchange of a United States real property interest ("USRPI"), as defined below, and that we do not designate as a capital gain dividend or retained capital gain, will recognize ordinary income to the extent that we pay such distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. However, if a distribution is treated as effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax on the distribution at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distribution, and a non-U.S. stockholder that is a corporation also may be subject to the 30% branch profits tax with respect to that distribution. We plan to withhold U.S. federal income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. stockholder unless:

- a lower treaty rate applies and the non-U.S. stockholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us;
- the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income; or

- the distribution is treated as attributable to a sale of a USRPI under FIRPTA (as discussed below).

A non-U.S. stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted tax basis of its common stock. Instead, the excess portion of such distribution will reduce the adjusted tax basis of such stock. A non-U.S. stockholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted tax basis of its common stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its common stock, as described below. We generally are required to withhold 15% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, we will withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%. However, because we generally cannot determine at the time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. A non-U.S. stockholder may claim a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

For any year in which we qualify as a REIT, a non-U.S. stockholder (other than a "qualified foreign pension plan") may incur tax on distributions that are attributable to gain from our sale or exchange of a USRPI under FIRPTA. A USRPI includes certain interests in real property and stock in corporations at least 50% of the assets of which consist of interests in real property. Under FIRPTA, a non-U.S. stockholder (other than a "qualified foreign pension plan") is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. stockholder. A non-U.S. stockholder (other than a "qualified foreign pension plan") thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution.

Capital gain distributions that are attributable to our sale of real property located in the U.S. would be subject to tax under FIRPTA, as described in the preceding paragraph. In such case, we must withhold 21% of any distribution that we could designate as a capital gain dividend. A non-U.S. stockholder may receive a credit against its tax liability for the amount we withhold.

Moreover, if a non-U.S. stockholder (other than a "qualified foreign pension plan") disposes of our common stock during the 30-day period preceding a distribution payment, such non-U.S. stockholder (or a person related to such non-U.S. stockholder) acquires or enters into a contract or option to acquire our common stock within 61 days of the first day of the 30-day period described above, and any portion of such distribution payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. stockholder, then such non-U.S. stockholder will be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain. The taxation of capital gain distributions received by certain non-U.S. stockholders may, under certain circumstances, differ materially from that described above in the event that shares of our common stock are ever regularly traded on an established securities market in the U.S.

Dispositions

Non-U.S. stockholders (other than a "qualified foreign pension plan") could incur tax under FIRPTA with respect to gain realized upon a disposition of our common stock if we are a United States real property holding corporation ("USRPHC") during a specified testing period. If at least 50% of a REIT's assets are USRPIs, then the REIT will be a USRPHC. We anticipate that we will be a USRPHC based on our investment strategy. However, if we are a USRPHC, a non-U.S. stockholder generally would not incur tax under FIRPTA on gain from the sale of our common stock if we are a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares are held directly or indirectly by non-U.S. stockholders. We cannot assure you that this test will be met. Additional FIRPTA provisions may, under certain circumstances, apply to certain non-U.S. stockholders in the event that shares of our common stock are ever regularly traded on an established securities market in the U.S., which may have a material impact on such non-U.S. stockholders.

If the gain on the sale of our common stock were taxed under FIRPTA, a non-U.S. stockholder (other than a "qualified foreign pension plan") would be taxed on that gain in the same manner as U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Furthermore, a non-U.S. stockholder generally will incur tax on gain not subject to FIRPTA if:

- the gain is effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain; or

- the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax home" in the U.S., in which case the non-U.S. stockholder will incur a 30% tax on his or her capital gains.

Redemptions

A redemption of our common stock by a non-U.S. stockholder whose income derived from the investment in shares of our common stock is not effectively connected with the conduct of a trade or business in the U.S. will be treated under Section 302 of the Code as a distribution that is taxable as dividend income (to the extent of our current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as sale of our common stock (in which case the redemption will be treated in the same manner as a sale described above in "Dispositions"). The redemption will satisfy such tests if it (i) is "substantially disproportionate" with respect to the holder's interest in our stock, (ii) results in a "complete termination" of the holder's interest in all our classes of stock, or (iii) is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Code described above will be satisfied with respect to any particular holder of our common stock depends upon the facts and circumstances at the time that the determination must be made, prospective investors are advised to consult their tax advisors to determine such tax treatment.

If a redemption of our common stock does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution, as described above under "—Distributions." Non-U.S.

stockholders should consult with their tax advisors regarding the taxation of any particular redemption of our shares.

FATCA

The Foreign Account Tax Compliance Act ("FATCA") and guidance issued by the IRS regarding the implementation of FATCA, provides that a 30% withholding tax will be imposed on distributions and the gross proceeds from a sale of shares to a foreign entity if such entity fails to satisfy certain due diligence, disclosure and reporting rules. However, under recently proposed Treasury regulations that may be relied upon pending finalization, the withholding tax on gross proceeds would be eliminated and, consequently, FATCA withholding on gross proceeds is not currently expected to apply.

In the event of noncompliance with the FATCA requirements, or if we otherwise determine withholding is appropriate, we will withhold tax at a rate of 30% on distributions in respect of shares of our common stock and gross proceeds from the sale of shares of our common stock held by or through such foreign entities. Non-U.S. persons that are otherwise eligible for an exemption from, or a reduction of, U.S. withholding tax with respect to such distributions and sale proceeds would be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld (under FATCA or otherwise). Additional requirements and conditions may be imposed pursuant to an intergovernmental agreement (if and when entered into) between the United States and the foreign entity's home jurisdiction. Prospective investors are urged to consult with their tax advisors regarding the application of these rules to an investment in our stock.

Information Reporting Requirements and Withholding

We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at a rate, currently of 24%, with respect to distributions unless the stockholder:

- is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or

- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us.

Backup withholding will generally not apply to payments of distributions made by us or our paying agents, in their capacities as such, to a non-U.S. stockholder provided that the non-U.S. stockholder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the proceeds from a disposition or a redemption effected outside the U.S. by a non-U.S. stockholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker

has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Payment of the proceeds from a disposition by a non-U.S. stockholder of common stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. stockholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the stockholder's U.S. federal income tax liability if certain required information is furnished to the IRS. Stockholders should consult their tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Other Tax Considerations

Statements of Share Ownership

We are required to demand annual written statements from the record holders of designated percentages of our common stock disclosing the actual owners of the shares of common stock. Any record stockholder who, upon our request, does not provide us with required information concerning actual ownership of the shares of common stock is required to include specified information relating to his or her shares of common stock in his or her U.S. federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our U.S. federal income tax return, permanent records showing the information we have received about the actual ownership of our common stock and a list of those persons failing or refusing to comply with our demand.

Cost Basis Reporting

There are U.S. federal income tax information reporting rules that may apply to certain transactions in our shares. Where they apply, the "cost basis" calculated for the shares involved will be reported to the IRS and to you. For "cost basis" reporting purposes, you may identify by lot the shares that you transfer or that are redeemed, but if you do not timely notify us of your election, we will identify the shares that are transferred or redeemed on a "first in/first out" basis.

Information reporting (transfer statements) on other transactions may also be required under these rules. Transfer statements are issued between "brokers" and are not issued to the IRS or to you.

Stockholders should consult their tax advisors regarding the consequences of these rules.

Tax Shelter Reporting

If a stockholder recognizes a loss with respect to the shares of (i) $2 million or more in a single taxable year or $4 million or more in a combination of taxable years, for a holder that is an individual, S corporation, trust, or a partnership with at least one noncorporate partner, or (ii) $10 million or more in a single taxable year or $20 million or more in a combination of taxable years, for a holder that is either a corporation or a partnership with only corporate partners, the stockholder may be required to file a disclosure statement with the IRS on Form 8886. Direct stockholders of portfolio securities are in many cases exempt from this reporting requirement, but stockholders of a REIT currently are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the

taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

State and Local Taxes

We and/or you may be subject to taxation by various states and localities, including those in which we or a stockholder transacts business, owns property or resides. The state and local tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, you should consult your tax advisors regarding the effect of state and local tax laws upon an investment in our common stock.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review. No assurance can be given as to whether, when or in what form the U.S. federal income tax laws applicable to us and our stockholders may be changed, possibly with retroactive effect. Changes to the U.S. federal tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in shares of our common stock.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of any class of our shares of common stock by (i) Covered Plans (including "Keogh" plans and "individual retirement accounts"), (ii) plans and other arrangements that are subject to provisions under any U.S. or non-U.S. federal, state, local or other laws or regulations that are similar to the provisions of Title I of ERISA or Section 4975 of the Code (collectively, "Similar Laws"), and (iii) entities whose underlying assets are considered to include "the assets" of any of the foregoing described in clauses (i) and (ii) (each of the foregoing described in clauses (i), (ii) and (iii) being referred to herein as a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Covered Plan and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such a Covered Plan, or who renders investment advice for a fee or other compensation to such a Covered Plan, is generally considered to be a fiduciary of the Covered Plan.

In considering an investment in any class of our shares of common stock of a portion of the assets of any Plan, a fiduciary should consider whether an investment in the shares is appropriate for the Plan, taking into account the provisions of the Plan documents, the overall investment policy of the Plan and the composition of the Plan's investment portfolio, as there are imposed on Plan fiduciaries certain fiduciary requirements, including those of investment prudence and diversification and the requirement that a Plan's investments be made in accordance with the documents governing the Plan. Further, a fiduciary should consider that in the future there may be no market in which such Plan would be able to sell or otherwise dispose of the shares.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The fiduciary of a Covered Plan that proposes to purchase or hold any shares should consider, among other things, whether such purchase and holding may involve the sale or exchange of any property between a Covered Plan and a party in interest or disqualified person, or the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any plan assets. Depending on the satisfaction of certain conditions which may include the identity of the Covered Plan fiduciary making the decision to acquire or hold the shares on behalf of a Covered Plan, Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) or PTCE 90-1 (relating to investments by insurance company pooled separate accounts) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of the foregoing exemptions or any other class, administrative or statutory exemption will be available with respect to any particular transaction involving the shares. It is also possible that one of these exemptions could apply to some aspect of the acquisition or holding of such shares, but not apply to some

other aspect of such acquisition or holding. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of Covered Plans considering acquiring and/or holding our shares in reliance on these or any other exemption should carefully review the exemption in consultation with their legal advisors to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Plan Assets Issues

An additional issue concerns the extent to which we or all or a portion of our assets could themselves be treated as subject to ERISA. ERISA and the United States Department of Labor regulations, as modified by Section 3(42) of ERISA (the "Plan Assets Regulation") concerns the definition of what constitutes the assets of a Covered Plan for purposes of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and the prohibited transaction provisions of Section 4975 of the Code.

Under ERISA and the Plan Assets Regulation, generally when a Covered Plan acquires an "equity interest" in an entity that is neither a "publicly offered security" (within the meaning of the Plan Assets Regulation) nor a security issued by an investment company registered under the Investment Company Act, the Covered Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors" (the "25% Test") or that the entity is an "operating company," each as defined in the Plan Assets Regulation. For purposes of the 25% Test, the assets of an entity will not be treated as "plan assets" if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors," excluding equity interests held by persons (other than benefit plan investors) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. The term "benefit plan investors" is generally defined to include employee benefit plans subject to Title I of ERISA or Section 4975 of the Code (including "Keogh" plans and IRAs), as well as any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (e.g., an entity of which 25% or more of the value of any class of equity interests is held by benefit plan investors and which does not satisfy another exception under ERISA).

We will not be an investment company under the Investment Company Act and there can be no assurance that benefit plan investors will hold less than 25% of the total value of each class of our common stock at the completion of this offering or thereafter.

Publicly Offered Securities Exception

For purposes of the Plan Assets Regulation, a "publicly offered security" is defined as a security that is (a) "freely transferable," (b) part of a class of securities that is "widely held," and (c) (i) sold to the plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and is part of a class of securities that is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer during which the offering of such securities to the public has occurred, or (ii) is part of a class of securities that is registered under Section 12 of the Exchange Act. Shares of our common stock do not presently meet the requirements of the publicly offered securities exception.

Operating Company Exception

The definition of an "operating company" in the Plan Assets Regulation includes, among other things, a "venture capital operating company" (a "VCOC"). Generally, in order to qualify as a VCOC, an entity must demonstrate on its "initial valuation date" and on at least one day within each "annual valuation period," at least 50% of its assets, valued at cost (other than short-term investments pending long-term commitment or distribution to investors), are invested in operating companies (other than VCOCs) (i.e., operating entities that (x) are primarily engaged directly, or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital, or (y) qualify as "real estate operating companies," as defined in the Plan Assets Regulation) in which such entity has direct contractual management rights. In addition, to qualify as a VCOC, an entity must, in the ordinary course of its business, actually exercise such management rights with respect to at least one of the operating companies in which it invests. Similarly, the term "operating company" in the Plan Assets Regulation includes an entity that qualifies as a "real estate operating company" ("REOC"). An entity should qualify as a REOC if (i) on its "initial valuation date" and on at least one day within each "annual valuation period," at least 50% of the entity's assets, valued at cost (other than short-term investments pending long-term commitment or distribution to investors) are invested in real estate that is managed or developed and with respect to which such entity has the right to substantially participate directly in management or development activities; and (ii) such entity in the ordinary course of its business is engaged directly in the management and development of real estate. The "initial valuation date" is the date on which the entity first makes an investment that is not a short-term investment of funds pending long-term commitment. The Plan Assets Regulation does not provide specific guidance regarding what rights will qualify as management rights, and the U.S. Department of Labor (the "DOL") has consistently taken the position that such determination can only be made in light of the surrounding facts and circumstances of each particular case, substantially limiting the degree to which it can be determined with certainty whether particular rights will satisfy this requirement.

Because of the limitations and restrictions imposed by ERISA and the Plan Assets Regulation, we intend to operate so that our assets will not be considered to be the assets of investors that are Plans under the Plan Assets Regulation. If we admit benefit plan investors, we may choose to qualify as a REOC or VCOC. However, no assurances can be given that this strategy will be successful. We also reserve the right to rely on the 25% limit.

Assuming that we at all times qualify as a REOC or VCOC, or that the 25% limit is not violated, our assets will not be considered to be the assets of investors that are Plans for purposes of the fiduciary responsibility or prohibited transaction provisions of ERISA or the Code. However, no assurance can be given that this will be the case.

If our assets are deemed to constitute "plan assets" within the meaning of ERISA and the Plan Assets Regulation (e.g., if no exception under ERISA applies), this would result, among other matters, in certain transactions that we might enter into, or may have entered into, in the ordinary course of our business may constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code, may have to be rescinded and may give rise to prohibited transaction excise taxes and fiduciary liability, as described above. In addition, if our assets are deemed to be "plan assets" of a Covered Plan, our management, as well as various providers of fiduciary or other services to us, and any other parties with authority or control with respect to us or our assets, may be considered fiduciaries under ERISA and Section 4975 of the Code, or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

In addition, ERISA generally provides that discretionary authority with respect to the management and disposition of the assets of a Covered Plan may be delegated to certain "investment managers" who

acknowledge that they are fiduciaries of the Covered Plan. In such case, a Covered Plan fiduciary who has appointed an investment manager will generally not be liable for the acts of such investment manager. We do not expect to be an "investment manager" within the meaning of ERISA. Consequently, if our assets are deemed to constitute "plan assets" of any stockholder which is a Covered Plan, the fiduciary of any such Covered Plan would not be protected from liability resulting from our decisions. Moreover, if our underlying assets were deemed to be assets constituting "plan assets," there are several other provisions of ERISA that could be implicated for a Covered Plan if it were to acquire or hold shares either directly or by investing in an entity whose underlying assets are deemed to be assets of the Covered Plan.

Plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) may not be subject to the fiduciary responsibility or prohibited transaction rules of ERISA or Section 4975 of the Code, but may be subject to Similar Laws which may affect their investment in our shares of common stock. Fiduciaries of any such Plans should consult with counsel in connection with an investment in any class of our shares.

Representation

By acceptance of any class of shares of our common stock, each stockholder of a share will be deemed to have represented and warranted that either (i) no portion of the assets used by such stockholder to acquire or hold the shares constitutes assets of any Plan or (ii) the purchase and holding of the shares by such stockholder will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

Reporting of Indirect Compensation

ERISA's general reporting and disclosure rules, certain Covered Plans subject to Title I of ERISA are required to file annual reports (Form 5500) with the DOL regarding their assets, liabilities and expenses. To facilitate compliance with these requirements it is noted that the descriptions contained in this Memorandum of fees and compensation, including the asset management fee payable to the Advisor and the performance participation allocation to the Special Limited Partner are intended to satisfy the disclosure requirements for "eligible indirect compensation" for which the alternative reporting option on Schedule C of Form 5500 may be available.

This Memorandum does not constitute an undertaking to provide impartial investment advice and it is not our intention to act in a fiduciary capacity with respect to any Plan. The Advisor, the Special Limited Partner, the Dealer Manager, Forum and our and their respective affiliates (the "Relevant Entities") have a financial interest in stockholders' investment in our shares on account of the fees and other compensation they expect to receive (as the case may be) from us and their other relationships with us as contemplated in this prospectus. Any such fees and compensation do not constitute fees or compensation rendered for the provision of investment advice to any Plan. Each stockholder that is, or is investing (directly or indirectly) in us with the assets of, a Plan will be deemed to represent and warrant that it is advised by a fiduciary that is (a) independent of the Relevant Entities; (b) capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies contemplated in this Memorandum; and (c) a fiduciary (under ERISA, Section 4975 of the Code or applicable Similar Law) with respect to the Plan's investment in the shares, who is responsible for exercising independent judgment in evaluating the Plan's investment in the shares and any related transactions.

The sale of shares of our common stock to a Plan is in no respect a representation by us or any other person associated with the offering of our common stock that such an investment meets all relevant

legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Each Plan investor is advised to contact its own financial advisor or other fiduciary unrelated to the Relevant Entities about whether an investment in our shares of common stock, or any decision to continue to hold, transfer, vote or provide any consent with respect to any such shares, may be appropriate for the Plan's circumstances.

The preceding discussion is only a summary of certain ERISA implications of an investment in the securities and does not purport to be complete. Prospective investors should consult with their own legal, tax, financial and other advisors prior to investing to review these implications in light of such investor's particular circumstances.

Each purchaser or transferee that is or is acting on behalf of a Plan should consult with its legal advisor concerning the potential consequences to the Plan under ERISA, Section 4975 of the Code or applicable Similar Law of an investment in any class of our shares.

PLAN OF DISTRIBUTION

The Offering

We are offering up to $125 million in Class F shares and up to $75 million in Class C shares pursuant to the distribution reinvestment plan in a private offering exempt from registration under the Securities Act pursuant to Rule 506(b) under Regulation D promulgated pursuant to the Securities Act. We are only extending this offering to accredited investors, as defined in Regulation D. This offering is expected to be made on a "reasonable best efforts" by a registered broker dealer that serves as our Dealer Manager. Employees of the Advisor or its affiliates who are registered representatives of the Dealer Manager will act as wholesalers with respect to the offering. Our Dealer Manager is expected to enter into arrangements with financial intermediaries pursuant to which they may participate in the offering on a reasonable best efforts basis. Because this is a "reasonable best efforts" offering, the wholesalers must only use their reasonable best efforts to sell the shares, which means that no underwriter, broker dealer or other person will be obligated to purchase any shares. All investors must meet the suitability standards discussed in the section of this Memorandum entitled "Suitability Standards."

This offering is a perpetual life offering; however, we may terminate this offering at any time in our sole discretion. We may elect to register our securities for public sale under the Securities Act. If we elect to publicly offer our securities, this offering would terminate prior to the commencement of such public offering. We may terminate this offering at any time in our sole discretion. We would be required to register as a public reporting company under the Exchange Act at the end of a calendar year if we have more than $10 million in assets and securities "held of record" by either 2,000 or more persons who are accredited investors, or 500 or more persons who are not accredited investors.

To purchase securities in this offering, you must complete and sign a subscription agreement attached hereto as Appendix A for a specific dollar amount and pay such amount at the time of subscription. The initial minimum permitted purchase of Class F shares in this offering is $25,000, as described in further detail below under "— Minimum Purchase Requirements." The minimum investment amount does not apply to purchases made under our distribution reinvestment plan.

Funding can be made by check or wire for our shares. Funding instructions are provided in the subscription agreement. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. Pending acceptance of your subscription, proceeds will be deposited into an account for your benefit.

Purchase of Shares

Shares will generally be sold at the then-current transaction price, which will generally be the NAV per share as of the last day of the prior month of the class of shares being purchased, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. Any such commissions and fees will be paid by the investor as part of its offering price and not by us. See "—Underwriting Compensation" below for more information regarding the compensation that may be payable to broker dealers pursuant to arrangements with their clients. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. Although the price you pay for shares of our common stock will generally be based on the most recently disclosed monthly NAV per share, the NAV per share of such stock for the month in which you make your purchase may be significantly different. We may offer shares at a price that we believe reflects the NAV per share of such stock more appropriately than the most recently disclosed monthly NAV per share (including by updating a previously disclosed transaction price) or suspend our offering in cases where we believe there has been a material change

(positive or negative) to our NAV per share relative to the most recently disclosed monthly NAV per share. Each class of shares may have a different NAV per share because distribution fees (if any) are charged differently with respect to each class. See "Net Asset Value Calculation and Valuation Procedures" for more information about the calculation of NAV per share.

If you participate in our distribution reinvestment plan, the cash distributions attributable to the Class F shares that you purchase in our offering will be automatically invested in Class C shares. Shares are offered pursuant to our distribution reinvestment plan at the transaction price at the time the distribution is payable, which will generally be equal to our most recently disclosed monthly NAV per share for that share class.

We will generally adhere to the following procedures relating to purchases of shares of our common stock in this continuous offering:

- On each business day, our transfer agent will collect purchase orders. Notwithstanding the submission of an initial purchase order, we can reject purchase orders for any reason, even if a prospective investor meets the minimum suitability requirements outlined in our Memorandum. Investors may only purchase our common stock pursuant to accepted subscription orders as of the first business day of each month (based on the most recently disclosed monthly transaction price), and to be accepted, a subscription request must be made with a completed and executed subscription agreement in good order and payment of the full purchase price of our common stock being subscribed at least five business days prior to the first business day of the month. If a purchase order is received less than five business days prior to the first business day of the month, unless waived by the Company, the purchase order will be executed in the next month's closing at the transaction price applicable to that month, plus, if applicable, upfront commissions or other fees payable to broker dealers who have arrangements with their clients to be paid such compensation in connection with the purchase of shares. Any such commissions and fees will be paid by the investor as part of its offering price and not by us. The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees. As a result of this process, the price per share at which your order is executed may be different than the price per share for the month in which you submitted your purchase order.

- Generally, within 15 calendar days after the last calendar day of each month, we will determine our NAV per share for each share class as of the last calendar day of the prior month, which will generally be the transaction price for the then-current month for such share class.

- Completed subscription requests will not be accepted by us before the later of (i) two business days before the first business day of each month and (ii) three business days after we make the transaction price (including any subsequent revised transaction price in the circumstances described below) available.

- Subscribers are not committed to purchase shares at the time their subscription orders are submitted and any subscription may be canceled at any time before the time it has been accepted as described in the previous sentence. You may withdraw your purchase request by notifying the transfer agent, through your financial intermediary or directly on our toll-free, automated telephone line, 888-479-4008.

- You will receive a confirmation statement of each new transaction in your account as soon as practicable but generally not later than seven business days after the stockholder transactions are settled.

If the transaction price is not made available on or before the eighth business day before the first calendar day of the month (which is six business days before the earliest date we may accept subscriptions), or a previously disclosed transaction price for that month is changed, then we will provide notice of such transaction price (and the first day on which we may accept subscriptions) directly to subscribing investors when such transaction price is made available.

In contrast to securities traded on an exchange or over-the-counter, where the price often fluctuates as a result of, among other things, the supply and demand of securities in the trading market, our NAV will be calculated once monthly using our valuation methodology, and the price at which we sell new shares and redeem outstanding shares will not change depending on the level of demand by investors or the volume of redemption requests.

Frequent Trading Policies

We may reject for any reason, or cancel as permitted or required by law, any subscriptions for shares of our common stock.

For example, we may reject any subscriptions from market timers or investors that, in our opinion, may be disruptive to our operations. Frequent purchases and sales of our shares can harm stockholders in various ways, including reducing the returns to long-term stockholders by increasing our costs, disrupting portfolio management strategies and diluting the value of the shares of long-term stockholders. Among other things, the following activities may be considered by us to be frequent trading:

- any stockholder who redeems their shares of our common stock within 30 calendar days of the purchase of such shares;
- transactions deemed harmful or excessive by us (including but not limited to patterns of purchases and redemptions), in our sole discretion; and
- transactions initiated by financial professionals, among multiple stockholder accounts, that in the aggregate are deemed harmful or excessive.

Underwriting Compensation

Certain broker dealers may have arrangements with their clients to be paid upfront commissions or other fees, including without limitation brokerage commissions and placement fees, provided that such compensation cannot exceed, on a per share basis, 6.5% of the transaction price per share. Any such commissions and fees will be paid by the investor as part of its offering price and not by us. Accordingly, the offering price for clients of broker dealers may vary depending on the upfront commissions and other fees charged by their broker dealers. With respect to subscriptions that are subject to such upfront commissions and other fees, the portion of the offering price consisting of such compensation is expected to be retained by the broker dealer, with the balance submitted to the Company with the investor's subscription. No commissions or other fees will be paid with respect to Class C shares issued pursuant to the distribution reinvestment plan.

The offering price for clients of RIAs will be the then-current transaction price and will not include any upfront commissions or other fees.

Our Advisor or an affiliate of our Advisor will pay compensation to the Dealer Manager for the services it will provide in connection with this offering. The Dealer Manager will not be paid any selling commissions in connection with this offering, but will be paid certain fees, including a monthly placement

fee, as well as fees for onboarding FMREIT, making any required filings with the Financial Industry Regulatory Authority and reviewing marketing materials. The Dealer Manager will also be reimbursed for reasonable out-of-pocket expenses incurred in connection with the services provided in connection with this offering, which may include, without limitation, regulatory filing fees; marketing materials regulatory review fees; communications; postage and delivery service fees; bank fees; reproduction and record retention fees; travel, lodging and meals. We estimate that the aggregate annual placement fee will be approximately $15,000 and the additional fees and expense reimbursements incurred for the other services provided by the Dealer Manager will be approximately $12,000 to $15,000. The registered representatives of the Dealer Manager who are employees of the Advisor or an affiliate of the Advisor will also receive transaction-based compensation in connection with sales for which they act as wholesalers.

Other Compensation

We may also pay directly, or reimburse the Advisor if it pays on our behalf, any organization and offering expenses (other than upfront selling commissions). We pay directly, or reimburse the Advisor if they pay on our behalf, all of our organization and offering expenses (including legal, accounting, printing, mailing and filing fees and expenses, due diligence expenses of participating broker dealers supported by detailed and itemized invoices, costs in connection with preparing sales materials, design and website expenses, fees and expenses of our escrow agent and transfer agent, costs reimbursement for registered representatives of participating broker dealers to attend educational conferences sponsored by us, fees to attend retail seminars sponsored by participating broker dealers and reimbursements for customary travel, lodging, and meals, reimbursement of broker dealers for technology costs and expenses associated with the offering, and costs and expenses associated with the facilitation of the marketing of our shares and ownership of our shares by their participating customers, but excluding upfront selling commissions). The Advisor has agreed to advance all of our organization and offering expenses on our behalf through December 31, 2024. We will reimburse the Advisor for all of the foregoing advanced expenses ratably over the 60 months following December 31, 2024. After December 31, 2024, we will reimburse the Advisor for any additional offering expenses that it incurs on our behalf as and when incurred.

SUPPLEMENTAL SALES MATERIALS

In addition to this Memorandum, we may utilize certain sales material in connection with this offering, although only when accompanied by or preceded by the delivery of this Memorandum. These supplemental sales materials may include information relating to this offering, the past performance of real estate programs managed by the Sponsor and its affiliates, property brochures and articles and publications concerning real estate.

We are offering shares of our common stock only by means of this Memorandum. Although the information contained in our supplemental sales materials will not conflict with any of the information contained in this Memorandum, the supplemental materials do not purport to be complete and should not be considered a part of or as incorporated by reference in this Memorandum.

Because this offering is being conducted pursuant to Rule 506(b) of Regulation D promulgated under the Securities Act, general solicitations, including flyers, introductory letters, and seminars, will not be permitted in connection with the sale of securities through this Memorandum. Neither this Memorandum nor any supplemental sales materials will be reviewed or approved by any regulatory agencies.

REPORTS TO STOCKHOLDERS

We expect to provide our stockholders with periodic business updates, including quarterly reports with unaudited financial statements and a letter from the Advisor. We intend to deliver these quarterly reports to our stockholders within 60 days after the end of each quarter. We also may supplement this Memorandum upon the occurrence of certain events, such as material property acquisitions. We also intend to provide annual audited financial statements, which will be delivered within 120 days of the fiscal year end. We will use the accrual method of accounting and prepare our financial statements in accordance with GAAP. We will report income and deductions for tax purposes in accordance with the Code and income tax regulations.

WHERE YOU CAN FIND MORE INFORMATION

Forum Multifamily Real Estate Investment Trust, Inc.
Attention: COO & General Counsel
240 Saint Paul Street
Suite 400
Denver, CO 80206
Tel: 303.501.8888
Toll-Free: 888-479-4008
Email: FMREIT@forumcapadvisors.com

No person has been authorized to give any information or make any representation not contained in this Memorandum and the attachments hereto, and if given or made, such representations must not be relied upon as having been authorized by us.

Appendix A

Subscription Agreement

Forum Multifamily Real Estate Investment Trust, Inc.

Shares of Class F Common Stock

SUBSCRIPTION BOOKLET

If you decide not to participate in this offering, please return this Subscription Booklet, together with the Confidential Private Placement Memorandum and all related documentation (and any and all amendments and/or supplements thereto) to Forum Multifamily Real Estate Investment Trust, Inc.

CONTENTS AND PURPOSE

This Subscription Booklet relates to the offering of Class F Shares of common stock (the "Shares") in Forum Multifamily Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"). This Subscription Booklet contains all of the materials you need to complete to become a stockholder of the Company. This Subscription Booklet consists of the following:

(1) Subscription Agreement (the "Agreement");

(2) Annex A – Accredited Investor and Bad Actor Certification;

(3) Annex B – List of Additional Documentation;

(4) Annex C – Beneficial Ownership Information; and

(5) Annex D – RIA Certifications.

The primary purpose of this Subscription Booklet is to assist the Company in determining whether a prospective investor is eligible under applicable U.S. securities laws to become a stockholder of the Company. The Company will not register this offering of the Shares under the U.S. Securities Act of 1933, as amended. Instead, the Company will rely on an exemption from registration that is available only if each stockholder satisfies certain criteria that are covered in this Subscription Booklet.

The acceptance or non-acceptance of any subscription is solely at the discretion of the Company and no reasons need be given for the non-acceptance of any subscription.

INVESTOR CHECKLIST

Prior to completing this Subscription Booklet, prospective investors should read the Confidential Private Placement Memorandum of the Company as amended, modified and supplemented from time to time. Each prospective investor that desires to become a stockholder of the Company must return the following:

☐ Completed and Signed Subscription Agreement

☐ Completed and Signed Annex A – Accredited Investor and Bad Actor Certification

☐ Additional information as may be required pursuant to the terms herein, including by reference the additional information set forth in Annex B

☐ If applicable, completed Annex C – Beneficial Ownership Information

☐ If applicable, completed and signed Annex D – RIA Certifications

SUBSCRIPTION AGREEMENT

Ladies and Gentlemen:

This Subscription Agreement ("Agreement") is made by and between Forum Multifamily Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), and the undersigned prospective purchaser ("Subscriber") who is subscribing hereby for Class F shares of common stock in the Company (the "Shares") pursuant to the Company's Confidential Private Placement Memorandum, as amended, modified and supplemented from time to time (the "Memorandum").

If you need assistance in completing this Agreement or have questions, please call 888-479-4008 or email FMREIT@forumcapadvisors.com.

In consideration of the Company's agreement to sell Shares to Subscriber and to admit Subscriber as a stockholder of the Company upon the terms and conditions set forth herein and as further set forth in the Memorandum, the undersigned hereby acknowledges, agrees, represents, warrants and covenants, as follows:

1. Investment

Subscriber subscribes for and agrees to purchase the Shares in the amount indicated below, on the terms and conditions described herein and in the Memorandum.

Amount of Subscription _____ State/Jurisdiction of Sale _____

Investment Type: ☐ Initial Investment — The minimum initial subscription by a Subscriber of Class F Shares is $25,000 (unless waived).

☐ Additional Investment — The minimum additional subscription amount is $500.

FMREIT Account Number: _____

Payment will be made with: ☐ Enclosed Check ☐ Funds Wired

2. Account Type - Check One Box Only

Account Type	Additional Required Documentation
☐ Individual ☐ TOD	If TOD, Transfer on Death form
☐ Joint Tenants ☐ TOD ☐ Tenants in Common* ☐ Community Property	If JTWROS TOD, Transfer on Death form *All parties must sign
☐ Trust	Trustee Certification form or trust documents (see Annex B)
☐ Estate	Documents evidencing individuals authorized to act on behalf of estate
☐ Custodial ☐ UGMA: State of: ____ ☐ UTMA: State of: ____	None
☐ Corporation ☐ C Corp ☐ S Corp	Articles of Incorporation or Corporate Resolution (see Annex B)
☐ LLC ☐ Enter the tax classification (C= C Corporation, S= S Corporation, P= Partnership) ___	Operating Agreement or LLC Resolution (see Annex B)
☐ Partnership	Partnership Certification of Powers or Certificate of Limited Partnership (see Annex B)
☐ Non-Profit Organization	Formation document or other document evidencing authorized signers

☐ Profit Sharing Plan* ☐ Defined Benefit Plan* ☐ KEOGH Plan*	Pages of plan document that list plan name, date, trustee name(s) and signatures
☐ Traditional IRA ☐ SEP IRA ☐ ROTH IRA ☐ Simple IRA ☐ Inherited/Beneficial IRA	For Inherited IRA indicate Decedent's name:_____
☐ Other (Specify)_____	

3. Third Party Custodian/Trustee Information

> Applies to ALL retirement accounts and to non-retirement accounts that have elected to use a third party custodian/trustee.

> Ensure funds are available in your custodian account and send ALL paperwork directly to the custodian. The custodian/trustee is responsible for sending payments pursuant to the instructions as set forth below.

Custodian/Trustee Name

Custodian/Trustee Address

City State Zip

Custodian/Trustee Phone Custodian/Trustee TIN

Subscriber Account Number with Custodian/Trustee

4. Subscriber Information

Section A: Subscriber Information

Subscriber Name SSN/TIN DOB

Street Address

City State Zip Code

Phone (day) Email

Citizenship: Please indicate Citizenship Status (Required)

☐ US Citizen ☐ US Citizen residing outside the US ☐ Resident Alien
☐ Non-Resident Alien* Country of Citizenship: _____ ☐ Check here if you are subject to backup withholding

Section B: Co-Subscriber Information

Subscriber Name SSN/TIN DOB

Street Address

City State Zip Code

Phone (day) Email

Citizenship: Please indicate Citizenship Status (Required)

☐ US Citizen ☐ US Citizen residing outside the US ☐ Resident Alien
☐ Non-Resident Alien* Country: _____ ☐ Check here if you are subject to backup withholding

Section C: Entity Information

Entity Name	TIN	Date of Formation
Street Address		
City	State	Zip Code

Please attach a separate sheet with the above information for each additional Subscriber.

NOTE: Any and all U.S. taxpayers are required to complete Section 10. (If a foreign national is a U.S. resident alien taxpayer, complete Section 10.)

* If non-resident alien, Subscriber must submit the appropriate IRS Form W-8 (e.g., Form W-8BEN, W-8ECI, W-8EXP or W-8IMY) in order to make an investment. The applicable IRS Form can be obtained from the IRS by visiting www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

5. Distribution Information

Cash Distribution Information

☐ Send distributions via check to Subscriber's address listed in Section 4 above

☐ Send distributions via check to Third Party/Custodian listed in Section 3 above for deposit into Subscriber's custodial account

☐ Direct Deposit: (Attach Voided Check) I/we authorize the Company, or its agent, SS&C GIDS, Inc., by or through a third party provider (as applicable, the "Issuer"), to deposit my distributions to my checking or savings account. This authority will remain in force until I notify the Issuer in writing to cancel it. If the Issuer deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit. The above services cannot be established without a pre-printed voided check. For electronic funds transfers, signatures of bank account owners are required exactly as they appear on the bank records. If the registration at the bank differs from that on this Agreement, all parties must sign below (not available for custodial accounts without the custodian's approval).

Financial Institution Name		☐ Checking
Street Address		☐ Savings
City	State	Zip Code
Name(s) on Account		
ABA/ Routing Number	Account Number	

Distribution Reinvestment Plan Information

You will automatically receive cash distributions unless you elect to enroll in the Company's Distribution Reinvestment Plan ("DRP"). If you elect to enroll in the DRP, in lieu of receiving cash distributions, distributions attributable to Class F Shares held by participants in the DRP will be automatically reinvested in shares of Class C common stock.

☐ I wish to enroll in the Distribution Reinvestment Plan.

If Subscribers participating in the DRP experience a material adverse change in their financial condition or can no longer make the representations or warranties set forth below and in the annexes, they are asked to promptly notify the Company and their Broker-Dealer or Registered Investment Advisor (as applicable) in writing. The Subscriber's Broker-Dealer or Registered Investment Advisor may notify the Company in writing if a Subscriber participating in the DRP can no longer make the representations or warranties set forth below in the annexes, and the Company may rely on such written notification to terminate such Subscriber's participation in the DRP.

6. Broker-Dealer and Financial Professional Information

To be completed only by Broker-Dealers. RIAs must complete the certification set forth in Annex D.

Broker-Dealer Name

Financial Professional's Name | Financial Professional Number

Financial Professional's Firm Name | Branch ID

Financial Professional's Address

City | State | ZIP

Phone | Email Address

The undersigned Financial Professional confirm(s), which confirmation is made on behalf of the Broker-Dealer with respect to sales of securities made through a Broker-Dealer which the Financial Professional represents, that they (i) have reasonable grounds to believe that the information and representations concerning the Subscriber identified herein are true, correct and complete in all respects; (ii) have discussed such Subscriber's prospective purchase of Shares with such Subscriber; (iii) have advised such Subscriber of all pertinent facts with regard to the lack of liquidity and marketability of the Shares; (iv) have delivered or made available a current Memorandum and related supplements, if any, to such Subscriber; (v) have reasonable grounds to believe that the Subscriber is purchasing these Shares for its own account; (vi) have reasonable grounds to believe that the purchase of Shares is a suitable investment for such Subscriber, that such Subscriber qualifies as an Accredited Subscriber, as defined in this Agreement, and that such Subscriber is in a financial position to enable such Subscriber to realize the benefits of such an investment and to suffer any loss that may occur with respect thereto; and (vii) have advised such Subscriber that the Shares have not been registered and are not expected to be registered under the laws of any country or jurisdiction outside of the United States except as otherwise described in the Memorandum. The undersigned Financial Professional represents and certifies that, if the Subscriber is a "retail customer" as defined in Regulation Best Interest, (i) the undersigned has a reasonable basis to believe that (a) a purchase of Shares would be in the best interest of the Subscriber based upon the Subscriber's investment profile and the potential risks, rewards, and costs associated with such an investment and (b) the undersigned has not placed its interests or those of the Financial Professional ahead of the interest of the Subscriber in recommending such investment, and (ii) the undersigned Financial Professional complied with any applicable enhanced standard of conduct, including, but not limited to, the other requirements of Regulation Best Interest in relation to the proposed purchase of Shares. The undersigned Financial Professional further represents and certifies that, in connection with this Agreement, they have not relied on any recommendations from the Company, the dealer manager or any of their affiliates, have complied with and followed all applicable legal requirements pertaining to the Financial Professional's activities, including all applicable policies and procedures under their firm's existing Anti-Money Laundering Program and Customer Identification Program, and that in any event the Subscriber has been subjected to appropriate identity verification, due diligence, and review by the Broker-Dealer, its custodian(s), or other obligated third parties in accordance with such requirements.

The Financial Professional understands that the dealer manager for this offering will not act as the broker-dealer of record in connection with any investment in the Company.

Signature of Financial Professional | Date

7. Electronic Delivery

In an effort to reduce printing and mailing costs and to conserve natural resources, instead of receiving paper copies of any private placement memoranda, supplements, other offering materials, tax documents, reports and any other investor communications (collectively, "Investor Communications"), you will receive electronic delivery of Investor Communications. We will either (i) email Investor Communications to you directly or (ii) make them available on our portal and notify you by email when and where such documents are available. Unless you indicate below that you do not consent to electronic delivery, electronic delivery of these materials will be of an unlimited duration and you will not receive paper copies of these electronic materials unless (i) specifically requested, (ii) you inform us in writing that you revoke your consent, (iii) the delivery of electronic materials is prohibited or (iv) the

Company, in its sole discretion, elect to send paper copies of materials. You will be responsible for your customary internet service provider charges and may be required to download software in connection with access to these materials.

E-Delivery Email

If blank, the email provided in Section 4 will be used.

If you object to electronic delivery, please check the box below.

☐ I DO NOT consent to e-delivery.

8. Indemnification by Subscriber

Subscriber agrees to indemnify and hold harmless the dealer manager, Company, FMREIT Advisors LLC (the "Advisor"), and their respective affiliates, managers, officers, directors, employees, stockholders and agents (collectively, the "Indemnified Persons") against any and all loss, liability, cost, claim, damage, and expense whatsoever (including, but not limited to, any and all expenses whatsoever, including taxes, penalties and the fees and disbursements of counsel reasonably incurred in investigating, preparing, or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon, directly or indirectly: (i) any breach or failure by Subscriber to comply with any agreement, representation, warranty, covenant or condition made by Subscriber herein or in any other document furnished by Subscriber to any of the foregoing in connection with this transaction; (ii) any of the Indemnified Persons acting on facsimile or emailed instructions of Subscriber (including any wiring instructions); (iii) any Indemnified Persons, each using its own reasonable business judgment, to report information about Subscriber to appropriate authorities; and (iv) any action for securities law violations instituted by Subscriber that is finally resolved by judgment against Subscriber.

The Indemnified Persons may rely conclusively upon, and shall incur no liability in respect of, any action taken upon notice, consent, request, instructions or other instrument believed, in good faith, to be genuine or to be signed by properly authorized persons.

U.S. federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights which the undersigned may have under any such U.S. federal securities laws.

Any of the Indemnified Persons shall be entitled to enforce their rights hereunder as if they were a signatory hereto.

9. Confidentiality

Subscriber acknowledges that it may receive or have access to confidential proprietary information concerning the Company, including, without limitation, investments, performance, valuations, trade secrets, and financial and similar information, including, without limitation, the information contained in the Memorandum (collectively, "Confidential Information") which is proprietary in nature and non-public. Subscriber agrees that it shall not disclose or cause to be disclosed any Confidential Information to any person or use any Confidential Information for its own purpose or its own account, except in connection with its investment in the Company and except as otherwise required by any regulatory authority, law or regulation, or by legal process. Notwithstanding the foregoing, Subscriber may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Company and its transactions, including all materials of any kind provided to Subscriber relating to such tax treatment and tax structure. Subscriber understands that due to the confidential nature of the Company's proprietary Confidential Information, Subscriber's requests for detailed information may be restricted in certain ways to prevent distribution, publication or misuse.

9a. Modification

Neither this Agreement nor any provisions hereof shall be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any modification, change, discharge, or termination is sought.

9b. Revocability

Completed subscription requests will not be accepted by the Company before the later of (i) two business days before the first business day of each month and (ii) three business days after the Company makes the transaction price available. Subscribers are not committed to purchase the Shares at the time their subscription orders are submitted and any subscription may be canceled at any time before the time it has been accepted as described in the previous sentence. As a result, you will have a minimum of

three business days after the transaction price for that month has been disclosed to withdraw your subscription request before you are committed to purchase the Shares.

9c. Notices

All notices, consents, requests, demands, offers, reports, and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered properly given or made when personally delivered to the party entitled thereto, or when sent by United States mail, with postage prepaid, addressed: DO NOT SUBMIT AGREEMENTS OR FUNDS TO THE ADDRESS BELOW. SEE SECTION 10 FOR MAILING ADDRESS.

If to the Company:
Forum Multifamily Real Estate Investment Trust, Inc.
Attention: Investor Relations
240 Saint Paul Street
Suite 400
Denver, CO 80206
Tel: 888-479-4008

9d. Binding Effect of Agreement

Except as otherwise provided herein, this Agreement and all of the terms and provisions hereof shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, trustees and legal representatives. If Subscriber is more than one person, the obligation of Subscriber shall be joint and several and the agreements, representations, warranties, and acknowledgments contained herein shall be deemed to be made by and be binding upon each such person and such person's heirs, executors, administrators, successors, trustees and legal representatives.

9e. Assignability

This Agreement is not transferable or assignable by Subscriber. The Company shall not assign its rights or duties under this Agreement without the written consent of Subscriber.

9f. Entire Agreement

This instrument contains the entire agreement of the parties as to the subject matter hereof, and there are no acknowledgments, agreements, representations, warranties or covenants, except as stated or referred to herein.

9g. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of the Maryland, without regard to principles of conflicts laws.

9h. Severability

Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

9i. Non-Waiver

No provision of this Agreement shall be deemed to have been waived, unless such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

9j. Acceptance and Rejection

This Agreement is subject to acceptance by the Company. The Company reserves the right to accept or reject any subscription or any portion thereof for any reason or no reason. Upon acceptance by the Company, this Agreement shall become a binding agreement between the Company and Subscriber. In the event of rejection of this Agreement, the Company promptly thereupon shall return to Subscriber the purchase price offered by Subscriber, without interest (using the wire instructions or Subscriber address

provided when the subscription was made). In such event, this Agreement shall have no force or effect, and shall be considered null and void.

9k. Subscriber Acknowledgements, Agreements, Representations, Warranties and Covenants

Subscriber hereby acknowledges, represents and warrants to, and agrees and covenants with, the Company as follows:

(a) Subscriber is (i) an "accredited investor," as defined in Rule 501(a) of Regulation D ("Reg D") promulgated by the U.S. Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended ("Securities Act"), and as set forth in the Accredited Investor and Bad Actor Certification attached hereto as Annex A. Subscriber has completed this Agreement and the appendices attached hereto and meets the investor eligibility criteria for investment in the Company set forth herein and in the Memorandum.

(b) Shares were not offered to Subscriber by means of any general solicitation or general advertising by the Company or any person acting on its behalf, including without limitation (i) any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, or (ii) any seminar or meeting to which Subscriber was invited by any general solicitation or general advertising.

(c) Subscriber is acquiring the Shares for its own account, for investment, and not with a view to or for resale, transfer, distribution, or other disposition thereof in whole or in part. Subscriber agrees that it will not attempt to pledge, transfer, convey or otherwise dispose of any of the Shares or any interest therein except in a transaction that is the subject of either (i) an effective registration statement under the Securities Act and any applicable state securities laws or (ii) an opinion of counsel, which counsel and which opinion of counsel shall be satisfactory to the Company, in its sole discretion, to the effect that such registration is not required.

(d) Subscriber (either alone or together with any advisers retained by it in connection with evaluating the merits and risks of purchasing the Shares) has such knowledge, experience, and sophistication in investment, financial, and business matters that it is capable of evaluating the merits and risks of its investment in the Company. Subscriber has received, and either alone or with its Financial Professional, has read and fully understands the contents of the Memorandum and all appendices, exhibits and attachments thereto, and in electing to invest in the Shares, it has relied only on the information contained in the Memorandum and has not relied (in whole or in part) on any representations or information, whether written or oral, made or supplied by any other person.

(e) Subscriber understands that an investment in the Company is speculative and may result in the complete loss of Subscriber's investment, and that no market for the Shares exists or will develop. Subscriber is willing to accept the economic risk of an investment in the Shares for an indefinite period of time.

(f) Subscriber is able to bear the economic risk of its investment in the Company, and can afford a complete loss of such investment, which is not disproportionate to Subscriber's net worth. Subscriber has no need for liquidity of its investment in the Company, and has no reason to anticipate any change in financial condition or circumstances that may cause or require the sale or distribution of the Shares purchased.

(g) Subscriber understands that this offering and sale of Shares are intended to be exempt from registration under the Securities Act and from registration and/ or qualification under applicable state securities laws, and that this offering of Shares has not been approved, disapproved or passed on by the SEC or any other governmental entity. Subscriber also understands that the Company is not currently, and does not propose in the future to be, registered as an "investment company" under the Investment Company Act of 1940, as amended.

(h) Subscriber has had the opportunity to ask questions and receive answers concerning the Company and the terms and conditions of this offering and to obtain such additional information as Subscriber considers necessary or advisable to verify the accuracy of the information in the Memorandum and evaluate appropriately an investment in the Company. Subscriber agrees to, and understands, the terms and conditions upon which Shares are being offered, including, without limitation, the fees charged, the investment strategy, the risk factors, the use of leverage, the potential conflicts of interest and the restrictions on transfers and withdrawals referred to in the Memorandum.

(i) Subscriber acknowledges that no representations or warranties have been made to Subscriber by the Company, the Advisor, or any officer, employee, agent or affiliate of the Company or the Advisor, except as set forth in the Memorandum and that Subscriber is not relying on the Company, the Advisor or their affiliates with respect to its investment decision, including tax and other economic considerations involved in this investment relating to Subscriber's own tax and economic situation.

(j) Subscriber, if it is a corporation, partnership, trust, or other entity, is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and the execution, delivery and performance by it of this Agreement are within its powers, have been duly authorized by all necessary corporate or other action on its behalf (and the person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so), require no action by or in respect of, or filing with, any governmental entity (except as disclosed in writing to the Company and which have been obtained or fully complied with) and do not and will not contravene, or constitute a default under, any provision of applicable law or regulation or of its certificate of incorporation or other organizational documents or any agreements, judgment, injunction, order, decree or other instrument to which Subscriber is a party or by which Subscriber or any of Subscriber's properties or assets is bound. This Agreement constitutes a valid and binding agreement of Subscriber enforceable against Subscriber in accordance with its terms.

(k) If Subscriber is a natural person, Subscriber is of legal age in Subscriber's state of residence, and the execution, delivery and performance by such person of this Agreement is within such person's legal right, power and capacity, requires no action by or in respect of, or filing with, any governmental entity (except as disclosed in writing to the Company and which have been obtained or fully complied with), and does not and will not contravene, or constitute a default under, any provision of applicable law or regulation or of any agreement, judgment, injunction, order, decree or other instrument to which Subscriber is a party or by which Subscriber or any of his or her properties or assets is bound. This Agreement constitutes a valid and binding agreement of Subscriber enforceable against Subscriber in accordance with their terms.

(l) Subscriber understands that the Company, the Advisor and their affiliates may communicate and share information with each other and with agents of Subscriber, including, but not limited to, consultants, financial professionals, custodians, and other parties identified by Subscriber. Subscriber understands that certain information about it and its investment in Shares may be disclosed by the Company, the Advisor and their affiliates to third parties as part of their ongoing operations and as requested by governmental authorities. Subscriber holds the Indemnified Persons harmless for any direct or indirect consequences resulting from such disclosure.

(m) Subscriber is not acquiring Shares with a view to realizing any benefits under U.S. federal income tax laws, and no representations have been made to Subscriber by the Company, the Advisor or any of their affiliates that any such benefits will be available as a result of Subscriber's acquisition, ownership or disposition of Shares.

(n) Subscriber has not borrowed any portion of its subscription to the Company, either directly or indirectly, from the Company, the Advisor or any of their affiliates.

(o) Subscriber is not a participant-directed defined contribution plan (such as a 401(k) plan). If Subscriber is an entity, the beneficial owners of Subscriber's securities are not contributing additional funds to Subscriber specifically for the purpose of purchasing the Shares, nor do such beneficial owners have the right to opt in or out of particular investments made by Subscriber (including the investment in the Company), and all beneficial owners of Subscriber's securities participate pro rata in all investments made by Subscriber in accordance with their respective ownership shares in Subscriber.

(p) If Subscriber is purchasing the Shares with funds that constitute, directly or indirectly, the assets of an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), or an entity whose underlying assets include "plan assets" pursuant to Section 3(42) of ERISA and/or U.S. Department of Labor Regulation 29 C.F.R. 2510.3-101, Subscriber acknowledges that (i) it has evaluated for itself the merits of such investment with the aid of such Financial Professional as Subscriber may have deemed appropriate, which do not include the Advisor or any of its affiliates, (ii) none of the Advisor or any of its affiliates renders investment advice to Subscriber on any basis regarding the advisability of purchasing the Shares, and none of the Advisor or any of its affiliates has or will render investment advice to Subscriber, including, but not limited to, advice based on the particular needs of Subscriber, including such matters as investment policies or strategy, overall portfolio composition, or diversification of assets, (iii) none of the Advisor or any of its affiliates has investment discretion with respect to the assets of the plan which will be used to purchase the Shares, and (iv) the Subscriber's investment in the Shares

will not constitute a fiduciary breach or a transaction prohibited under Section 406 of ERISA or Section 4975 of the Code for which an exemption does not apply. In addition, if Subscriber is an entity whose underlying assets include "plan assets" pursuant to Section 3(42) of ERISA and/or U.S. Department of Labor Regulation 29 C.F.R. 2510.3-101 (as amended by Section 3(42) of ERISA) (a "Benefit Plan Investor"), Subscriber will promptly furnish written notification to the Company of any change in the percentage of Subscriber's underlying assets that are considered plan assets. The Company will use reasonable efforts to actively limit investment by all Benefit Plan Investors to less than 25% of the Company's then outstanding common stock.

(q) If Subscriber is a Benefit Plan Investor:

i. in making the proposed investment, it is aware of and has taken into consideration the diversification requirements of ERISA;

ii. it has read and it understands the Section entitled "Certain ERISA Considerations" contained in the Memorandum, and it has concluded that the proposed investment in the Company is prudent and is consistent with other applicable fiduciary responsibilities under ERISA;

iii. the purchase price with respect to the Shares to which this Agreement applies does not constitute more than 5% of the fair market value of the assets of Subscriber; and

iv. it agrees that if investment in the Company by Benefit Plan Investors exceeds 25% of the Company's common stock, the Company may in its sole and absolute discretion take action to redeem all or a portion of the investment of one or more Benefit Plan Investors at a price per share equal to the then-current net asset value per share in order to cause all Benefit Plan Investors to own less than 25% of the shares of the Company's common stock.

(r) If Subscriber is an individual retirement account or an employee benefit plan not subject to Title I of ERISA (such as a governmental plan, foreign plan or church plan), the owner of the individual retirement account or the fiduciary directing the investment of such plan has read and understands the Memorandum, and has concluded that the proposed investment in the Company is prudent and is consistent with its fiduciary responsibilities, if any.

(s) If the Subscriber's investment activities are subject to review and/or regulation by U.S. federal and/or state regulatory authorities, the Subscriber has all requisite power and authority to make its investment in its interest under the laws, regulations, investment policies and/or governing instruments applicable to the Subscriber, and the type of investments contemplated to be made by the Company constitute authorized investments under the laws, regulations, investment policies and/or governing instruments applicable to the Subscriber.

(t) The proposed investment by the Subscriber in the Company that is being made on its own behalf or, if applicable, by the Subscriber as an agent, representative, intermediary, nominee, record owner, or in a similar capacity for another person (each such person, an "Underlying Beneficial Owner") does not directly or indirectly contravene U.S. federal, state, international or other laws or regulations, including anti-money laundering laws. The funds invested by Subscriber in the Company are not derived from illegal or illegitimate activities.

(u) Federal regulations and Executive Orders administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories and persons. The lists of OFAC prohibited countries, territories and persons can be found on the OFAC website at www.treas.gov/ofac (the "OFAC Lists"). None of Subscriber or any affiliate of Subscriber, or, if applicable, any Underlying Beneficial Owner or "Related Person" (which term means, with respect to any entity, any investor, director, senior officer, trustee, beneficiary or grantor of such entity; provided that, in the case of an entity that is (i) a publicly traded Company with securities listed on a national securities exchange or quoted on an automated quotation system in the U.S. or a wholly-owned subsidiary of such an entity, or (ii) a tax qualified pension or retirement plan in which at least 100 employees participate that is maintained by an employer that is organized in the U.S. or is a U.S. governmental entity, the term "Related Person" shall exclude any investor or beneficiary of such publicly traded Company or plan) of Subscriber, is a country, territory or person named on an OFAC List, nor is Subscriber or any of its affiliates, or, if applicable, any Underlying Beneficial Owner or Related Person of Subscriber, a person with whom dealings are prohibited under any OFAC regulations.

(v) Neither Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person, is a foreign bank without a physical presence in any country (other than a foreign bank that (i) is an affiliate of a depositary institution, credit union or foreign bank that maintains a physical presence in the United States or a foreign country and (ii) is subject to supervision by a banking authority in the country regulating such affiliated depositary institution, credit union, or foreign bank). A foreign bank described in the preceding clauses (i) and (ii) is referred to herein as a "Regulated Affiliate," and a foreign bank without a physical presence in any country that is not a "Regulated Affiliate" is referred to herein as a "Foreign Shell Bank."

(w) Except as otherwise disclosed to the Advisor in writing: (i) neither Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person is resident in, or organized or chartered under the laws of, (A) a jurisdiction that has been designated by the Secretary of the Treasury under Section 311 or 312 of the USA PATRIOT Act of 2001 (the "PATRIOT Act") as warranting special measures due to money laundering concerns or (B) any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur (a "Non-Cooperative Jurisdiction"); (ii) the subscription funds of the Subscriber and, if applicable, any Underlying Beneficial Owner, do not originate from, nor will they be routed through, an account maintained at (A) a Foreign Shell Bank, (B) a foreign bank (other than a Regulated Affiliate) that is barred, pursuant to its banking license, from conducting banking activities with the citizens of, or with the local currency of, the country that issued the license, or (C) a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction; and (iii) neither Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person is a senior foreign political figure, or any immediate family member or close associate of a senior foreign political figure, in each case, within the meaning of the PATRIOT Act.

(x) To the extent not prohibited by law or regulation, Subscriber hereby agrees to provide the Company, the Advisor, and the Company's service providers any information that they may reasonably request or require in order to comply with applicable laws, including tax laws, or to reduce any tax that may be imposed on the Company, the Advisor or any stockholder of the Company. Without prejudice to the generality of the foregoing, Subscriber hereby acknowledges and understands that the Company is required to comply with the Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act ("FATCA"), and agrees to furnish any information and documents the Company, the Advisor or its service providers, may from time to time reasonably request for the purpose of compliance with the Company's obligations under FATCA, including but not limited to information required under FATCA and agrees that the Company, the Advisor and its service providers, may share such information with any third party as required by law. Subscriber authorizes the Company, the Advisor and its service providers, to disclose required information as defined under FATCA regulations to appropriate authorities in the United States as per the requirements under FATCA. Subscriber also agrees that the Company may in the case of Subscriber failing to provide any requested information and documents, require the Subscriber to withdraw all or any part of its Shares in the Company, or reject this subscription for Shares, as applicable. In the case of any material change to the circumstances affecting Subscriber's U.S. Person status as per FATCA, Subscriber undertakes to immediately notify the Company in writing any of such change.

(y) Subscriber acknowledges and agrees that if its subscription will result in Subscriber being a 25% or more stockholder of the Company, or if at any time in the future the Subscriber becomes a 25% or more stockholder of the Company, the Subscriber shall be required to provide additional representation and warranties. To the extent that the Subscriber is unable or unwilling to make such additional representations and warranties, the Company may reject the Subscriber's subscription or, if the Subscriber is an existing stockholder, redeem the portion of the Subscriber's shares of common stock necessary to cause the Subscriber to own less than 25% of the shares of the Company's common stock at a price per share equal to the then-current net asset value per share.

(z) Subscriber understands that Morrison & Foerster LLP acts as counsel to the Company, Advisor and certain of their affiliates. Subscriber also understands that, in connection with this offering of Shares and subsequent advice to such parties, Morrison & Foerster LLP will not be representing investors in the Company, including Subscriber, and no independent counsel has been retained to represent the stockholders of the Company.

(aa) The information contained in this Agreement, and any other information furnished by Subscriber to the Company, is correct and complete as of the date of this Agreement and as of the date of Subscriber's admission to the Company, and Subscriber agrees promptly to notify the Company if there is any change with respect to any of the information or representations relating

to Subscriber contained herein, and in any other document delivered by Subscriber to the Company, and to provide such further information as the Company may request.

(bb) Subscriber agrees that at any time in the future at which Subscriber makes an additional subscription to the Company, Subscriber shall be deemed to have reaffirmed as of the date of the making of such additional subscription, each and every acknowledgment, agreement, representation, warranty and covenant made by Subscriber in this Agreement.

(cc) If Subscriber executes the Agreement electronically, Subscriber's electronic signature, whether digital or encrypted, included in the Agreement is intended to authenticate the Agreement and to have the same force and effect as a manual signature. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by Subscriber with Subscriber's intent to sign such record, including facsimile or e-mail electronic signatures. Subscriber and the Company each hereby consents and agrees that electronically signing this Agreement constitutes Subscriber's signature, acceptance and agreement as if actually signed by Subscriber in writing. Further, all parties agree that no certification authority or other third party verification is necessary to validate any electronic signature; and that the lack of such certification or third party verification will not in any way affect the enforceability of Subscriber's signature or resulting contract between Subscriber and the Company. Subscriber understands and agrees that Subscriber's e-signature executed in conjunction with the electronic submission of this Agreement shall be legally binding and such transaction shall be considered authorized by Subscriber. Subscriber agrees that Subscriber's electronic signature is the legal equivalent of Subscriber's manual signature on this Agreement and Subscriber consents to be legally bound by this Agreement's terms and conditions.

The forgoing acknowledgements, agreements, representations, warranties and covenants shall survive the investment by Subscriber in the Company. If Subscriber cannot confirm all of the foregoing matters, please contact the Company with a detailed explanation.

9l. Subscriber Acknowledgements, Agreements, Representations, Warranties and Covenants, continued

THE COMPANY RESERVES THE RIGHT TO REQUEST ANY ADDITIONAL DOCUMENTATION AS IT DEEMS NECESSARY TO VERIFY THE IDENTITY OF SUBSCRIBER OR TO COMPLY WITH APPLICABLE LAWS AND LOAN AGREEMENTS. A LIST OF THE DOCUMENTS THAT MAY BE REQUIRED IS INCLUDED IN ANNEX B ATTACHED HERETO. FAILURE TO PROVIDE THE NECESSARY EVIDENCE MAY RESULT IN SUBSCRIPTIONS BEING REJECTED OR POSTPONED, OR IN DELAYS IN THE DISPATCH OF DOCUMENTS. THE INDEMNIFIED PERSONS WILL NOT, UNDER ANY CIRCUMSTANCES, BE LIABLE FOR LOSS OF PROFITS, INTEREST OR ANY OTHER DAMAGES IN CONNECTION WITH THE REJECTION OF A SUBSCRIPTION FOR SHARES OR A DELAY IN THE ACCEPTANCE OF A SUBSCRIPTION FOR SHARES.

10. Signatures

By executing this Agreement, the undersigned hereby agrees to be bound by the terms of the articles of incorporation, bylaws and any amendments or supplements thereto and authorizes Forum Multifamily Real Estate Investment Trust, Inc. to make all filings of any and all certificates, instruments, agreements or other documents as may be required or advisable under the laws of the State of Maryland.

WE INTEND TO ASSERT THE FOREGOING REPRESENTATION AS A DEFENSE IN ANY SUBSEQUENT LITIGATION WHERE SUCH ASSERTION WOULD BE RELEVANT. AS USED ABOVE, THE SINGULAR INCLUDES THE PLURAL IN ALL RESPECTS IF SHARES ARE BEING ACQUIRED BY MORE THAN ONE PERSON. THIS AGREEMENT AND ALL RIGHTS THEREUNDER SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICT OF LAWS. BY EXECUTING THIS AGREEMENT, THE SUBSCRIBER HEREBY DECLARES THE INFORMATION SUPPLIED ABOVE IS TRUE AND CORRECT AND MAY BE RELIED UPON BY THE COMPANY AND THE ADVISOR IN CONNECTION WITH THE SUBSCRIBER'S INVESTMENT IN THE COMPANY.

THE SUBSCRIBER DOES NOT WAIVE ANY RIGHTS IT MAY HAVE UNDER THE SECURITIES ACT, THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED ("THE EXCHANGE ACT") OR ANY STATE SECURITIES LAW BY EXECUTING THIS AGREEMENT.

THE SUBSCRIBER WILL NOT BE ADMITTED AS A STOCKHOLDER OF THE COMPANY UNTIL THIS AGREEMENT HAS BEEN ACCEPTED BY THE COMPANY. THE COMPANY MAY REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, SO LONG AS SUCH PARTIAL ACCEPTANCE OR REJECTION DOES NOT RESULT IN AN INVESTMENT OF LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE MEMORANDUM. SUBSCRIPTIONS WILL BE ACCEPTED OR REJECTED AS OF THE FIRST BUSINESS DAY OF EACH MONTH. IF THE COMPANY REJECTS THE SUBSCRIBER'S SUBSCRIPTION, THE PURCHASE PRICE WILL BE RETURNED TO THE

SUBSCRIBER WITHIN 10 BUSINESS DAYS AFTER THE REJECTION OF THE SUBSCRIPTION. IF THE SUBSCRIBER'S SUBSCRIPTION IS ACCEPTED, THE SUBSCRIBER WILL BE SENT A CONFIRMATION OF ITS PURCHASE AFTER THE SUBSCRIBER HAS BEEN ADMITTED AS A STOCKHOLDER.

THE COMPANY WILL NOT ACCEPT A SUBSCRIPTION IF, THE SUBSCRIBER(S) HAS (HAVE) NOT SIGNED THIS SECTION.

TAXPAYER IDENTIFICATION NUMBER CERTIFICATION

Exempt payee code (If any)	Exemption from FATCA reporting code (If any) (Applies to accounts maintained outside the U.S.)

Certification instructions. You must check the box in item 2 below next to the statement that applies to you.

By signing below, under penalties of perjury, I certify that:

1. The SSN/TIN listed in Section 4 above is my correct taxpayer identification number, and
2. ☐ I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding

   or

   ☐ I am subject to backup withholding because I have been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends
3. I am a U.S. citizen or other U.S. person (including a Resident Alien), and
4. The FATCA code(s) entered on this form (if any) indicating I am exempt from FATCA reporting is correct.

If you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return, you must indicate as such in item 2 above. See the instructions on page 4 of the Internal Revenue Service Form W-9.

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Subscriber Signature	Date
Co-Subscriber Signature (If applicable)	Date

AUTHORIZATION: FOR AUTHORIZED REPRESENTATIVE OF CUSTODIAN USE ONLY

Signature of Custodian(s) or Trustee(s): By executing this Agreement, Custodian certifies to the Company that the Shares purchased pursuant to this Agreement are held for the benefit of the Subscriber named in Section 4 of this Agreement (the "Beneficial Owner"); Custodian agrees to notify the Company promptly, but in any event within 30 days, of any changes in the name of the Beneficial Owner or the number of Shares held by Custodian for the benefit of the Beneficial Owner; Custodian confirms that the Company is entitled to rely on these representations for the purposes of determining the stockholders entitled to notice of or to vote at each annual or special meeting of stockholders of the Company and, until delivery by the Custodian to the Company of a written statement revoking such representation, the Beneficial Owner will be deemed the holder of record for the Shares of common stock entitled to notice of or to vote at each annual or special meeting of stockholders.

Authorized Signature (Custodian or Trustee)	Date

10. Make Checks Payable, Wiring Instructions and Mailing Information

Check Instructions

For Non-Custodial Accounts: Please mail a completed original Agreement along with a check and the appropriate documents outlined in Section 2 and Annex B of this Agreement, to the appropriate address as outlined below.

For Custodial Accounts: Please mail a completed original Agreement directly to the custodian along with the appropriate documents outlined in Section 2 and Annex B of this Agreement.

> The Agreement, together with a check made payable to "Forum Multifamily Real Estate Investment Trust, Inc." for the full purchase price, should be delivered to the address below.

Mailing Address

Regular Mail	Overnight Mail	Agreements may be emailed to:
FMREIT Advisors LLC	FMREIT Advisors, LLC	FMREIT@forumcapadvisors.com
PO Box 219611	430 W 7th St. Suite 219611	
Kansas City, MO 64121-9611	Kansas City, MO 64105-1407	

Wiring Instructions

If wiring your subscription amount, please use the instructions below.

Payment may be wired to:

UMB Bank, NA
ABA: 101000695
DDA: 9872657357
FBO: SS&C GIDS, Inc. As Agent for FMREIT Advisors LLC

ANNEX A - ACCREDITED INVESTOR AND BAD ACTOR CERTIFICATION

Capitalized terms not defined herein shall have the meanings given to them in the Subscription Agreement between Subscriber and the Company (the "Agreement").

A1. Accredited Investor Certification

Please check the box that applies to you.

Individuals		
☐ Subscriber	☐ Co-Subscriber	A natural person whose individual net worth, or joint net worth with his or her spouse or spousal equivalent, at the time of purchase of the Shares, exceeds $1,000,000 excluding the value of such natural person's primary residence. [1]
☐ Subscriber	☐ Co-Subscriber	A natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with his or her spouse or spousal equivalent in excess of $300,000 in each of those years, and who has a reasonable expectation of reaching the same income level in the current year.
☐ Subscriber	☐ Co-Subscriber	A natural person who holds one or more of the following licenses in good standing: General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65).
☐ Subscriber	☐ Co-Subscriber	A natural person who is a "knowledgeable employee," as defined in rule 3c-5(a)(4) under the Investment Company Act of 1940, as amended (the "Investment Company Act"), of the Company where the Company would be an investment company, as defined in section 3 of the Investment Company Act, but for the exclusion provided by either section 3(c)(1) or section (3(c)(7)
☐ Subscriber	☐ Co-Subscriber	A natural person who is a director or executive officer of the Company.
Entities		
☐ Subscriber	☐ Co-Subscriber	A corporation, a Massachusetts or similar business trust, a partnership, a limited liability company or an organization described in Section 501(c)(3) of the Code, which has total assets in excess of $5,000,000 and which was not formed for the specific purpose of acquiring the Shares.
☐ Subscriber	☐ Co-Subscriber	A trust with total assets in excess of $5,000,000 that was not formed for the specific purpose of acquiring the Shares and whose purchase of the Shares was directed by a person who has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment.
☐ Subscriber	☐ Co-Subscriber	An entity (other than a trust) in which all of the equity owners are accredited investors (all such equity owners must complete a copy of this Annex A and Sections 4 and 10 of the Agreement, and by execution of Section 10 shall be deemed to have agreed to and made the representations contained in Section 9).
☐ Subscriber	☐ Co-Subscriber	A bank, as defined in Section 3(a)(2) of the Securities Act, acting in its individual or fiduciary capacity.

[1] In calculating net worth, you must exclude the value of any positive equity that you may have in your primary residence. If indebtedness secured by your primary residence exceeds the estimated fair market value of such primary residence, you should reduce your net worth by the amount of any such excess indebtedness. The fair market value of a primary residence and the amount of outstanding indebtedness should be measured as of the proposed Subscription Date. In addition, if outstanding indebtedness secured by your primary residence has increased (other than as a result of the acquisition of such primary residence) in the 60-day period preceding the proposed Subscription Date (e.g., due to a home equity loan), you should reduce your net worth by the amount of such increase.

☐ Subscriber	☐ Co-Subscriber	A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, acting in its individual or fiduciary capacity.
☐ Subscriber	☐ Co-Subscriber	A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended.
☐ Subscriber	☐ Co-Subscriber	An insurance company as defined in Section 2(a)(13) of the Securities Act.
☐ Subscriber	☐ Co-Subscriber	An investment company registered under the Investment Company Act, or a business development company as defined in Section 2(a)(48) of such Act.
☐ Subscriber	☐ Co-Subscriber	A small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958, as amended.
☐ Subscriber	☐ Co-Subscriber	A plan that has total assets in excess of $5,000,000 and that is established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees.
☐ Subscriber	☐ Co-Subscriber	An employee benefit plan within the meaning of ERISA, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
☐ Subscriber	☐ Co-Subscriber	A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended (the "Advisers Act").
☐ Subscriber	☐ Co-Subscriber	A Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act.
☐ Subscriber	☐ Co-Subscriber	An investment adviser registered pursuant to section 203 of the Advisers Act or registered pursuant to the laws of a state.
☐ Subscriber	☐ Co-Subscriber	An investment adviser relying on the exemption from registering with the SEC under section 203(l) or (m) of the Advisers Act.
☐ Subscriber	☐ Co-Subscriber	An entity of a type not listed above that has total assets in excess of $5,000,000 and was not formed for the specific purpose of acquiring the Shares.
☐ Subscriber	☐ Co-Subscriber	A "family office," as defined in rule 202(a)(11)(G)-1 under the Advisers Act: (i) with assets under management in excess of $5,000,000, (ii) that is not formed for the specific purpose of acquiring the Shares, and (iii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment.
☐ Subscriber	☐ Co-Subscriber	A "family client," as defined in rule 202(a)(11)(G)-1 under the Advisers Act, of a family office meeting the requirements in the line above and whose prospective investment in the issuer is directed by such family office pursuant to (iii) in the line above.

A2. Bad Actor Certification

The Subscriber represents that each of the following are true:

(a) Subscriber has not, within the last 10 years, been convicted of a felony or misdemeanor, in the United States, (i) in connection with the purchase or sale of any security, (ii) involving the making of any false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(b) Subscriber is not currently subject to any order, judgment or decree of any court of competent jurisdiction, entered in the last five years, that restrains or enjoins Subscriber from engaging in any conduct or practice (i) in connection with the purchase or sale of any security, (ii) involving the making of a false filing with the SEC or (iii) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities;

(c) Subscriber is not currently subject to a "final order"[2] of a state securities commission (or an agency or officer of a state performing like functions), a state authority that supervises or examines banks, savings associations, or credit unions, a state insurance commission (or an agency or officer of a state performing like functions), an appropriate federal banking agency, the National Credit Union Administration, or the Commodity Futures Trading Commission ("CFTC"), that (A) bars Subscriber from: (i) association with an entity regulated by such commission, authority, agency, or officer; (ii) engaging in the business of securities, insurance, or banking; or (iii) engaging in savings association or credit union activities; or (B) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct within the last 10 years;

(d) Subscriber is not currently subject to an order of the SEC pursuant to Section 15(b) or 15B(c) of the Exchange Act or Section 203(e) or (f) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") that (i) suspends or revokes Subscriber's registration as a broker, dealer, municipal securities dealer or investment adviser, (ii) places limitations on Subscriber's activities, functions or operations or (iii) bars Subscriber from being associated with any entity or from participating in the offering of any penny stock;

(e) Subscriber is not currently subject to any order of the SEC, entered in the last five years, that orders Subscriber to cease and desist from committing or causing a violation or future violation of (i) any scienter-based anti-fraud provision of the federal securities laws (including without limitation Section 17(a)(1) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 15(c)(1) of the Exchange Act and Section 206(1) of the Advisers Act, or any other rule or regulation thereunder) or (ii) Section 5 of the Securities Act of 1933;

(f) Subscriber is not currently suspended or expelled from membership in, or suspended or barred from association with a stockholder of, a registered national securities exchange or registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(g) Subscriber has not filed as a registrant or issuer, or has not been named as an underwriter in, a registration statement or Regulation A offering statement filed with the SEC that, within the last five years, (i) was the subject of a refusal order, stop order, or order suspending the Regulation A exemption or (ii) is currently the subject of an investigation or proceeding to determine whether such a stop order or suspension order should be issued; and

(h) Subscriber is not subject to (i) a United States Postal Service false representation order entered into within the last five years, or (ii) a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

☐ By checking this box, Subscriber confirms that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") and comes within the category of accredited investor under Rule 501(a) of Regulation D indicated by a check mark in Section A1 above.

[2] The term "final order" means a written directive or declaratory statement issued by a federal or state agency pursuant to applicable statutory authority that provides for notice and an opportunity for hearing, which constitutes a final disposition or action by that federal or state agency. A final order may still be subject to appeal and otherwise meet this definition.

☐ By checking this box, Subscriber confirms that all of the above representations made under Section A2 are true and correct with respect to Subscriber as the investor and, if Subscriber is submitting this agreement on behalf of an entity, with respect to each person (whether an individual or an entity) that controls such entity (whether through ownership of voting securities or otherwise).

☐ If Subscriber cannot confirm all of the statements under this Section A2 by checking the box above, by checking the box to the left, Subscriber (i) confirms that Subscriber has obtained a waiver from disqualification under Rule 506(d) either (A) from the SEC or (B) from the court or regulatory authority that entered the relevant order, judgment or decree and (ii) agrees to submit information about the relevant disqualifying event and evidence of the waiver to the Company together with this Annex.

If Subscriber cannot confirm all of the foregoing matters, please contact the Company with a detailed explanation. If there is a change in circumstances that would result in a change in Subscriber's confirmation of any of the foregoing matters, please promptly notify the Company in writing of such change.

Subscriber Signature	Date
Co-Subscriber Signature (If applicable)	Date

If the Subscriber is an entity, please provide the following information regarding the individual executing this certification.

Name of Individual Executing Certification	
Title	Date

ANNEX B - LIST OF ADDITIONAL DOCUMENTATION

The following is a list of documents that may be required in order for the Company to verify the identity of Subscriber in compliance with applicable laws. Such documents must be provided only if specified in Section 2 of the Subscription Agreement between the Subscriber and the Company (the "Agreement"), or otherwise requested by the Company, the Advisor or its affiliates. Capitalized terms not defined herein shall have the meanings given to them in the Agreement.

Identification for an Individual:

(Please provide copies of the following documents for each individual)

- A government-issued form of picture identification (e.g., passport or driver's license). Identification must be current

Identification for a Corporate Entity:

(Please provide copies of the following documents)

- Certificate of Incorporation/Formation
- Governing documents (such as Articles of Incorporation, Bylaws, etc.).
- Evidence of ownership of the entity (such as a register of stockholders)
- A completed copy of Annex C listing the name of each person who directly, or indirectly through intermediaries, is the beneficial owner of 25% or more of any voting or non-voting class of equity interests of the prospective Subscriber.

  A government-issued form of picture identification (e.g., passport or driver's licence) for each such person is also required.
- Register of directors and officers of the entity

  A government-issued form of picture identification (e.g., passport or driver's licence) for each such person is also required.

Identification for a Partnership or LLC:

(Please provide copies of the following documents)

- Certificate of Formation
- Partnership or Operating Agreement
- A completed copy of Annex C listing the name of each person who directly, or indirectly through intermediaries, is the beneficial owner of 25% or more of any voting or non-voting class of equity interests of the prospective Subscriber.

  A government-issued form of picture identification (e.g., passport or driver's licence) for each such person is also required.
- Identification of the general partners/managing members/managers/managing stockholders of the entity

  A government-issued form of picture identification (e.g., passport or driver's licence) for each such person is also required.

Identification for a Trust:

(Please provide copies of the following documents)

- Copy of the Declaration of Trust, Trust Deed (where a copy of the Trust Deed is not available, we will require a written explanation of the nature of the trust and its source of funds and confirmation of settlor and trustees), or other document creating and governing the Trust
- A completed copy of Annex C listing the name every current beneficiary that has, directly or indirectly, an interest of 25% or more in the trust and every trustee.

  A government-issued form of picture identification (e.g., passport or driver's licence) for each such person is also required.

Tax Forms:

All Subscribers that are not a U.S. citizen or other U.S. person are required to submit appropriate tax forms. The most current versions of the tax forms are located at the following websites:

- Form W-8BEN: https://www.irs.gov/pub/irs-pdf/fw8ben.pdf
- Form W-8BEN-E: https://www.irs.gov/pub/irs-pdf/fw8bene.pdf
- Form W-8ECI: https://www.irs.gov/pub/irs-pdf/fw8eci.pdf
- Form W-8EXP: https://www.irs.gov/pub/irs-pdf/fw8exp.pdf
- Form W-8IMY: https://www.irs.gov/pub/irs-pdf/fw8imy.pdf

ANNEX C – BENEFICIAL OWNERSHIP INFORMATION

To help the government fight financial crime, federal regulation requires certain financial institutions to obtain, verify, and record information about the beneficial owners of legal entity customers. Legal entities can be abused to disguise involvement in terrorist financing, money laundering, tax evasion, corruption, fraud, and other financial crimes. Requiring the disclosure of key individuals who ultimately own or control a legal entity (i.e., the beneficial owners) helps law enforcement investigate and prosecute these crimes. For the purposes of this form, a legal entity includes a corporation, limited liability company, partnership, and any other similar business entity formed in the United States or a foreign country.

- Identify each individual who owns—directly or indirectly through any agreement, arrangement, understanding, relationship, or otherwise—25% or more of the equity interests of the legal entity.
- For a foreign person without a (SSN/ITIN), provide a Passport Number and Country of Issuance.

1. Entity Information

Name of Entity/Trust _____ Tax ID Number _____

Street Address _____ City, State, Zip Code _____

Legal name of Individual Establishing Relationship _____

2. Beneficial Owners/Trustee Information

☐Check this box if no individual owns 25% or more of the legal entity and that you will inform the Company if/when an individual assumes 25% or more ownership. You must still provide an authorized controlling individual.

If the beneficial owner is a trust, please provide information on every beneficiary that has, directly or indirectly, an interest of 25% or more and every trustee.

Beneficial Owner 1

Beneficial Owner _____ Social Security Number _____

Street Address _____ City, State, Zip Code _____

Date of Birth _____ Percentage of Ownership _____

Beneficial Owner 2

Beneficial Owner _____ Social Security Number _____

Street Address _____ City, State, Zip Code _____

Date of Birth _____ Percentage of Ownership _____

Beneficial Owner 3

Beneficial Owner | Social Security Number

Street Address | City, State, Zip Code

Date of Birth | Percentage of Ownership

Beneficial Owner 4

Beneficial Owner | Social Security Number

Street Address | City, State, Zip Code

Date of Birth | Percentage of Ownership

3. Authorized Controlling Individual

Provide information for one individual with significant responsibility for managing the legal entity (ex: CEO, CFO, managing member, general partner, president, treasurer, etc.) If appropriate, an individual listed as beneficial owner may also be listed as the authorized controlling individual.

Authorized Controlling Individual's Name | Title

Social Security Number | Date of Birth

Street Address | City, State, Zip Code

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ANNEX D – RIA CERTIFICATIONS

Capitalized terms not defined herein shall have the meanings given to them in the Subscription Agreement between the Subscriber and the Company (the "Agreement"). With respect to the Subscriber's investment in Shares, the RIA identified below represents and warrants to, and agrees to the following:

(a) The RIA acknowledges and agrees that no compensation will be paid to the RIA with respect to the Subscriber's investment in Shares by the Company or any person acting on its behalf.

(b) The RIA represents that it is presently registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and has complied with registration or notice filing requirements of the appropriate regulatory agency of each state in which the RIA has customers or is exempt from such registration requirements. The RIA represents that it is in compliance with all the applicable requirements imposed upon it under (i) the Securities Act, the Exchange Act, the Advisers Act and the rules and regulations of the SEC promulgated under each such act, (ii) all applicable state securities laws and regulations as from time to time in effect and (iii) the Agreement. The RIA's acceptance of the Agreement constitutes a representation to the Company that the RIA is a properly registered or licensed RIA, duly authorized to perform those activities contemplated by the Agreement under federal and state securities laws and regulations and in the states in which such activities occur.

(c) The RIA is not a member of the Financial Industry Regulatory Authority ("FINRA") or an associated person of a FINRA member and, based on the activities the RIA performs, is not required to be a FINRA member or an associated person of a FINRA member, or otherwise required to register as a broker or dealer under any applicable federal or state laws, rules or regulations; or to the extent the RIA is a FINRA member or an associated person of a FINRA member, or otherwise is engaged in any activities (pursuant to the Agreement or otherwise) that would require the RIA, or any of the RIA's associated persons to register as a broker or dealer, or as a registered representative of a broker or dealer, under any applicable federal or state laws, rules or regulations, the RIA represents and warrants that the RIA and/or any such associated persons have taken any and all necessary actions and obtained any and all necessary registrations, licenses and/or permissions required by any applicable federal or state laws, rules or regulations, or any applicable rules or regulations of FINRA or any other applicable regulatory or self-regulatory body or organization, to engage in such activities, including without limitation, as applicable, providing of notice to and receiving permission from any broker-dealer with which such RIA or any associated person of such RIA may be registered or otherwise affiliated, in accordance with FINRA Rule 3270 or FINRA Rule 3280, and will provide the Company with documentation regarding such notice and permission as reasonably requested.

(d) The Subscriber has authorized the RIA to receive access to account records of the Subscriber.

(e) The RIA's conduct and communications with respect to the Subscriber has and shall at all times conform and comply with (i) the private placement procedures set forth in the Memorandum; (ii) the requirements of the Securities Act, including without limitation, Reg D; (iii) the requirements of the Exchange Act; (iv) all applicable state securities laws; and (v) the applicable rules and regulations promulgated by FINRA.

(f) The RIA has reasonable grounds to believe, and in fact believes, the Subscriber is an "accredited investor," as that term is defined in Rule 501(a) of Reg D promulgated under the Securities Act, and the RIA has a substantive, pre-existing relationship with the Subscriber, consistent with the requirements of Reg D, Rule 506(b) promulgated under the Securities Act and related guidance from the SEC.

(g) In its communications regarding the offering of Shares and in procuring a subscription, the RIA has not and shall not engage in or undertake (i) any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio; (ii) any seminar or meeting to which the Subscriber was invited by any general solicitation or general advertising; or (iii) any letter, circular, notice, or other written communication constituting a form of general solicitation or general advertising.

(h) The RIA confirms by its signature that it (i) has reasonable grounds to believe that the information and representations concerning the Subscriber, including the Subscriber's eligibility to purchase Shares, identified herein are true, correct and

complete in all respects; (ii) has verified that the form of ownership selected is accurate, secured all identifying and supporting documents, including, without limitation, copies of trust agreements, where applicable, and, if other than individual ownership, has verified that the individual executing on behalf of the Subscriber is properly authorized and identified; (iii) has discussed such Subscriber's prospective purchase of Shares with such Subscriber and (iv) has advised such Subscriber of all pertinent facts with regard to the liquidity and marketability of the Shares.

(i) The RIA represents that the Subscriber meets the financial qualifications required by applicable law and as set forth in the Memorandum. The RIA has made every reasonable effort to determine that the purchase of Shares and, if applicable, the election to participate in the DRP by the Subscriber is a suitable and an appropriate investment for such Subscriber and acknowledges that the dealer manager and the Company have not made and will not make any determination as to the suitability of any investment for the Subscriber. In making this determination, the RIA has ascertained that the Subscriber: (i) is an "accredited investor" as that term is defined in Rule 501(a) of Reg D promulgated under the Securities Act; (ii) can reasonably benefit from the investment in the Company based on the Subscriber's overall investment objectives and portfolio structure; (iii) is able to bear the economic risk of the investment based on the Subscriber's overall financial situation; and (iv) has apparent understanding of (a) the fundamental risks of the investment; (b) the risk that the investor may lose the entire investment; (c) the lack of liquidity of the Shares; (d) the restrictions on transferability of the Shares; (e) the tax consequences of the investment; and (f) the background of the Company's external advisor. The RIA has made this determination on the basis of information it has obtained from the Subscriber, including at least the age, investment objectives, investment experiences, income, net worth, financial situation, and other investments of the Subscriber, as well as any other pertinent factors.

(j) The RIA understands and agrees that it shall be solely responsible for determining if any recommendation to invest in Shares is in the best interest of its customer. The dealer manager and/or Company will not make any recommendations to the RIA's customer. The undersigned further represents and certifies that the RIA has delivered its Form CRS to the investor and has delivered its Form CRS to all other retail customers of the RIA who have invested in the Company.

(k) To the extent the Subscriber is a plan, plan fiduciary, plan participant or beneficiary, IRA, or IRA owner subject to Title I of ERISA or Section 4975 of the Code: (i) there is no financial interest, ownership interest, or other relationship, agreement, or understanding that would limit the RIA's ability to carry out its fiduciary responsibility to such investor beyond the control, direction, or influence of other persons involved in such Subscriber's purchase of Shares; (ii) the RIA is capable of evaluating investment risk independently, both in general and with regard to particular transactions and investment strategies; and (iii) the RIA is a fiduciary under ERISA or the Code, or both, with respect to such Subscriber's purchase of Shares, and it is responsible for exercising independent judgment in evaluating such Subscriber purchase of Shares.

(l) The RIA agrees to maintain records of the information used to determine that an investment in Shares is suitable and appropriate for the Subscriber for a period of six years. The RIA further agrees to make the suitability records available to the Company upon request and to make them available to regulators and self-regulatory bodies upon the dealer manager and/or Company's receipt of a subpoena or other appropriate document request from such agency.

(m) The RIA has not given any information to or made any representations or statements to the Subscriber, or any other person or entity, regarding the Company in connection the sale of Shares other than (i) the information contained in the Memorandum or (ii) supplemental sales materials that have been previously furnished to the RIA by the Company for distribution and approved by the Company in writing for distribution to prospective investors ("Approved Sales Materials"). The RIA agrees that it did not show or give to the Subscriber, or any other person or entity, any material supplied to it by the Company marked "Financial Professional Use Only" or otherwise bearing a legend denoting that it is not to be used in connection with the offer and sale of Shares.

(n) In making a recommendation with respect to an investment in the Shares to the Subscriber, the RIA did not make any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make any statement, in light of the circumstances under which it was made, not misleading concerning the offering of the Shares or any matters set forth in or contemplated by the Memorandum.

(o) The RIA provided the Subscriber, and each customer to whom the RIA recommended an investment in the Shares, with a copy of the Memorandum, including any amendments or supplements thereto, relating to the offer of Shares. The RIA agrees to

keep records indicating by number to whom each Memorandum and Approved Sales Materials was delivered and to make such information available to the Company upon written request.

(p) Neither the RIA, nor any of its directors, executive officers, general partners, managing members or other officers making a recommendation with respect to an investment in the Shares to a customer (each, a "RIA Covered Person" and, together, the "RIA Covered Persons"), is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event (i) covered by Rule 506(d)(2) of the Securities Act and (ii) for which a copy of the SEC's determination (in the case of Rule 506(d)(2)(ii)) or a copy of the judgement, order or decree (in the case of Rule 506(d)(2)(iii)) has been furnished in writing to the RIA and disclosed to the Company prior to the date hereof. The RIA will notify the Company in writing promptly upon the occurrence of (a) any Disqualification Event relating to any RIA Covered Person not previously disclosed to the Company in accordance with this paragraph and (b) any event that would, with the passage of time, become a Disqualification Event relating to any RIA Covered Person and in such event, the RIA will terminate the RIA Covered Person or, for RIA Covered Persons who are not directors or executive officers, no longer permit the RIA Covered Person to participate in the offering of Shares by making recommendations with respect to the Shares.

(q) The RIA hereby represents that it has complied and will comply with Section 326 of the PATRIOT Act in connection with anti-money laundering obligations (the "AML Rules"). The RIA hereby represents that it has adopted and implemented, and will maintain a written anti-money laundering compliance program ("AML Program") including, without limitation, anti-money laundering policies and procedures relating to customer identification as required by the PATRIOT Act and the implementing rules and regulations promulgated thereunder. In accordance with these applicable laws and regulations and its AML Program, the RIA agrees (i) to verify the identity of its new customers ("CIP and Beneficial Ownership Requirements"); (ii) to maintain customer records; and (iii) to check the names of new customers against government watch lists, including OFAC's list of Specially Designated Nationals and Blocked Persons. Additionally, the RIA will monitor account activity to identify patterns of unusual size or volume, geographic factors and any other "red flags" described in the PATRIOT Act as potential signals of money laundering or terrorist financing. The RIA agrees that it will submit to the Financial Crimes Enforcement Network any required suspicious activity reports about such activity and further will disclose such activity to applicable federal and state law enforcement when required by law. The RIA further understands that, while the dealer manager is required to establish and implement an AML Program in accordance with the AML Rules, the RIA cannot rely on the dealer manager's AML Program for purposes of the RIA's compliance with the AML Rules. The RIA agrees to notify the Company in writing immediately if the RIA is subject to an SEC disclosure event or a fine from the SEC related to its AML Program. Upon request by the Company at any time, the RIA hereby agrees to furnish (i) a copy of its AML Program for review and (ii) a copy of the findings and any remedial actions taken in connection with the RIA's most recent independent testing of its AML Program. With regard to the CIP and Beneficial Ownership Requirements, the RIA agrees that the dealer manager and the Company can rely on the RIA's performance of the CIP and Beneficial Ownership Requirements and that:

i. dealer manager's and/or Company's reliance on the RIA's performance of the CIP and Beneficial Ownership Requirements is reasonable under the circumstances;

ii. the RIA will certify annually to dealer manager and Company that the representations in the Agreement regarding the RIA's AML Program are accurate and that the RIA is in compliance with such representations; and

iii. the RIA will promptly provide its books and records relating to its performance under AML Program (including the CIP and Beneficial Ownership Requirements) to the SEC, to a self-regulatory organization that has jurisdiction over dealer manager, or to authorized law enforcement agencies at the request of (i) dealer manager, (ii) the Company, (iii) the SEC, (iv) a self-regulatory organization that has jurisdiction over dealer manager, or (v) an authorized law enforcement agency.

(r) With respect to any nonpublic personal information, as defined in the Gramm-Leach-Bliley Act of 1999 (the "GLB Act"), of the Subscriber provided to the RIA, the RIA agrees to (i) abide by and comply with (a) the applicable privacy standards and requirements of the GLB Act and the applicable regulations promulgated thereunder, (b) the privacy standards and requirements of any other applicable federal or state law, and (c) the RIA's own internal privacy policies and procedures, each as may be amended from time to time; (ii) refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of the Subscriber if the Subscriber has opted out of such disclosures, except as necessary to service the

Subscriber or as otherwise necessary or required by applicable law; and (iii) provide the Subscriber both initial and annual privacy notices as required pursuant to Rule 6(a) of Regulation S-P, promulgated under the GLB Act.

(s) The RIA hereby agrees to, and shall, indemnify and hold harmless the Indemnified Persons against any and all direct or third-party claims, losses, damages, or liabilities, joint or several, including but not limited to any claims, losses, damages, or liabilities relating to or regarding the suitability of the investment for the investor, whether or not the investment was in the best interest of the investor, and/or any claims relating to statements made by the RIA to the investor with respect to the purchase of Shares or otherwise with respect to the Company (including any investigative, legal, and other costs and expenses reasonably incurred in connection with, and any amounts paid in settlement of any action, suit, proceeding, or legislative or regulatory inquiry) (collectively "Claims"), for which any of the Indemnified Persons may become subject, to the extent that such Claims arise out of or are based upon: (i) the RIA's fraud, willful default, or negligence; or (ii) the RIA's (a) violation of applicable law or regulation, (b) misrepresentation to the Subscriber, (c) breach of any warranty or representation of the RIA herein, (d) unauthorized use of the Company's sales materials, use of any documents other than as permitted pursuant to the Agreement, or use of unauthorized verbal representations concerning the Shares or the Company, or (e) material failure to fulfill any agreement of the RIA contained herein.

(t) Any Claim arising between the Company, dealer manager and/or the RIA (collectively, the "Parties") relating to the Agreement or the offering of Shares (collectively, a "Claim") (whether such Claim arises under any Federal, state or local statute or regulation, or at common law), shall be resolved by final and binding arbitration administered in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association ("AAA"). Any matter to be settled by arbitration shall be submitted to the AAA in Denver, Colorado, which shall be the exclusive venue for any such dispute and the Parties agree to abide by all awards rendered in such proceedings. The Parties shall attempt to designate one arbitrator from the AAA, but if they are unable to do so, then the AAA shall designate an arbitrator. Any arbitrator selected by the Parties or the AAA shall be a qualified person who has experience with complex real estate disputes. The arbitration shall be final, binding, and enforceable in any court of competent jurisdiction. The Parties agree that upon application pursuant to the provisions of the Federal Arbitration Act 9 USC § 1 et seq. the court shall enter judgment upon an award made pursuant to an arbitration under the Agreement.

(u) The RIA agrees that the Company or dealer manager may file an action to enjoin the RIA from pursuing any Claim arising between the Parties in any forum or venue other than that specified in the Agreement ("Suit for Injunctive Relief"). The exclusive venue for any Suit for Injunctive Relief, Motion to Confirm, Motion to Modify, or Motion to Vacate an award made under the Agreement shall be the United States District Court for the District of Colorado, Denver Division. In the event the United States District Court for the District of Colorado does not have subject matter jurisdiction, then such exclusive jurisdiction shall be in the District Court of Denver County, Colorado. The RIA hereby consents to the jurisdiction of the United States District Court for the District of Colorado, Denver Division and the District Court of Denver County, Colorado for purposes of the Agreement and waives any right to challenge the exercise of personal jurisdiction or venue in connection with any Claim brought pursuant to the Agreement. This arbitration provision shall be binding upon the past, present, and future agents, employees, and representatives of the Parties.

Name of RIA	Name of RIA Firm	
RIA IARD#	Name of Clearing Firm	
Financial Professional's Address		
City	State	ZIP
Phone	Email	
CRD#		
RIA Signature		

Appendix B

Distribution Reinvestment Plan

FORUM MULTIFAMILY REAL ESTATE INVESTMENT TRUST, INC.
DISTRIBUTION REINVESTMENT PLAN

This DISTRIBUTION REINVESTMENT PLAN (the "Plan") is adopted by Forum Multifamily Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), pursuant to Articles of Amendment and Restatement (as amended, restated or otherwise modified from time to time, the "Charter"). Unless otherwise defined herein, capitalized terms shall have the same meaning as set forth in the Charter.

1. *Distribution Reinvestment.* As agent for the stockholders (the "Stockholders") of the Company who elect to participate in the Plan, the Company will apply all cash dividends and other cash distributions declared and paid in respect of the shares of the Company's common stock (the "Shares") held by each participating Stockholder (the "Distributions"), including Distributions paid with respect to any full or fractional Shares acquired under the Plan, to the purchase of additional Shares of the same class for such participating Stockholder to which such Distributions are attributable; provided that, the Company will apply all Distributions in respect of Class F Shares held by each participating Stockholder to the purchase of Class C Shares.

2. *Effective Date.* The effective date of this Plan is May 24, 2023.

3. *Procedure for Participation.* Any Stockholder who has received a copy of the Company's confidential private placement memorandum (the "PPM") and purchases Shares in the Company's offering after the effective date of the Plan will become a participant in the Plan (a "Participant") by noting such election on their subscription agreement. Any Stockholder who has received the PPM and initially elected not to be a Participant may elect to become a Participant by completing and executing the subscription agreement, an enrollment form or any other appropriate authorization form as may be available from the Company, the Dealer Manager, or a participating broker-dealer. Participation in the Plan will begin with the next Distribution payable after acceptance of a Participant's subscription, enrollment or authorization. Shares will be purchased under the Plan on the date that Distributions are paid by the Company. The Company may elect to deny participation in the Plan with respect to a Stockholder that resides in a jurisdiction or foreign country where, in the Company's sole judgment, the burden or expense of compliance with applicable securities laws makes participation impracticable or inadvisable.

4. *Suitability.* Each Participant is requested to promptly notify the Company in writing if the Participant experiences a material change in his or her financial condition, including the failure to meet the income, net worth and any other investor qualifications set forth in the PPM.

5. *Purchase of Shares.* Participants will acquire Shares under the Plan from the Company at a price equal to the transaction price (the "Transaction Price") in effect on the distribution date, which will generally be the net asset value ("NAV") per Share on the date that the Distribution is payable. Although the Transaction Price for Shares will generally be based on the most recently disclosed NAV per Share, the NAV per Share of such Shares as of the date on which a Participant's purchase is settled may be significantly different. The Company may offer Shares at a price that it believes reflects the NAV per Share more appropriately than the most recently disclosed NAV per Share, including by updating a previously disclosed Transaction Price, in cases where the Company believes there has been a material change (positive or negative) to the NAV per Share relative to the most recently disclosed NAV per Share. No selling commissions will be payable with respect to Shares purchased pursuant to the Plan. Participants in the Plan may also purchase fractional Shares so that 100% of the Distributions will be used to acquire Shares. However, a Participant will not be able to acquire Plan Shares to the extent that any such purchase would cause such Participant

to exceed the Aggregate Share Ownership Limit or the Common Share Ownership Limit as set forth in the Charter or otherwise would cause a violation of the Share ownership restrictions set forth in the Charter.

6. *Distributions in Cash.* Notwithstanding anything herein to the contrary, the Company's board of directors, in its sole discretion, may elect to have any particular Distribution paid in cash, without notice to Participants, without suspending the Plan and without affecting the future operation of the Plan with respect to Participants.

7. *Taxes.* IT IS UNDERSTOOD THAT REINVESTMENT OF DISTRIBUTIONS DOES NOT RELIEVE A PARTICIPANT OF ANY INCOME TAX LIABILITY WHICH MAY BE PAYABLE ON THE DISTRIBUTIONS. ADDITIONAL INFORMATION REGARDING POTENTIAL PARTICIPANT INCOME TAX LIABILITY MAY BE FOUND IN THE PPM.

8. *Certificates.* The ownership of the Shares purchased through the Plan will be in book-entry form unless and until the Company issues certificates for its outstanding Shares.

9. *Reports.* Within 90 days after the end of each fiscal year, the Company shall provide, or cause to be provided, to each Stockholder an individualized report on his or her investment, including (i) total cash Distributions received during the prior fiscal year, including the dates of the Distributions, (ii) total number and class of Shares purchased (including fractional shares) and the dates of such purchases, (iii) price paid per share of each class of Shares and (iv) total number and class of Shares in the Stockholder's account. In addition, the Company shall provide or cause to be provided to each Participant an individualized quarterly report at the end of each quarter showing the number of Shares owned prior to such quarter, the amount of the Distributions reinvested during such quarter and the number and class or classes of Shares owned after such quarter.

10. *Termination by Participant.* A Participant may terminate participation in the Plan at any time, without penalty, by providing 10 days' prior written notice of such election to withdraw in a form acceptable to the Company. Such notice must be received by the Company at least 10 days prior to a distribution date in order for a Participant's termination to be effective for such distribution date (i.e., a timely termination notice will be effective the day after it is received and will not affect participation in the Plan for any prior date). Any transfer of Shares by a Participant to a non-Participant will terminate participation in the Plan with respect to the transferred Shares. There are no fees associated with a Participant's termination of his or her participation in the Plan. A Participant in the Plan who terminates his or her participation in the Plan will be allowed to participate in the Plan again by notifying the Company, satisfying the eligibility requirements for participation in the Plan and completing any required forms, including an acknowledgment that the then-current version of the PPM has been delivered or made available to the Participant. From and after termination of Plan participation for any reason, Distributions will be distributed to the Stockholder in cash.

11. *Amendment or Termination of Plan by the Company.* The board of directors may amend the Plan; provided that notice of any material amendment must be provided to Participants at least 10 days prior to the effective date of that amendment. The Company may suspend or terminate the Plan for any reason or no reason upon 10 days' notice to the Participants.

12. *Liability of the Company.* The Company shall not be liable for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability (i) arising out of failure to terminate a Participant's account upon such Participant's death prior to timely receipt of notice in writing of such death or (ii) with respect to the time and the prices at which Shares are

purchased or sold for a Participant's account. To the extent that indemnification may apply to liabilities arising under the Securities Act, or the securities laws of a particular state, the Company has been advised that, in the opinion of the U.S. Securities and Exchange Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

13. *Governing Law.* The terms and conditions of the Plan and its operation are governed by the laws of the State of Maryland without reference to its conflict of laws principles.